Public Utilities

FORTNIGHTLY

Volume XLIX No. 4 February 14, 1952

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Public Utilities
FORTNIGHTLY

Volume XLIX   FEBRUARY 14, 1952   Number 4

Articles

Feature Sections

Public Utilities Fortnightly.. stands for Federal and state regulation of both privately owned and operated utilities and publicly owned and operated utilities, on a fair and nondiscriminatory basis; for nondiscriminatory administration of laws; for equitable and nondiscriminatory taxation; and, in general—for the perpetuation of the free enterprise system. It is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

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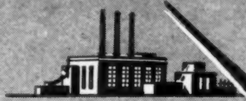


SIGNIFICANT STATISTICS ON STEAM FOR MILLIONS OF NEW KILOWATTS

CYCLONE FURNACES

At the close of 1951, B&W's revolutionary method of coal-firing had been applied to boilers with steam capacities ranging from 65,000 to 1,200,000 lb. per hr.; design pressures to 2125 psi; and steam temperatures to 1050F. Reheat, pressurized furnaces, and gas recirculation were other features in many of these units. Fuels include Illinois and West Virginia coals, lignite, oil and gas. Total steam capacity of all Cyclone Furnace boilers in service and on order is over **19,000,000 lb. per hr.**

HIGH PRESSURES

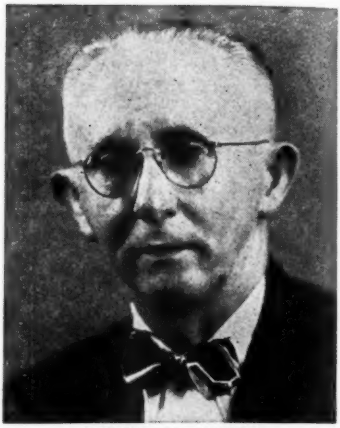
Since 1926, when central station boiler design pressures entered the now widely specified range over 1400 psi, B&W has been "headquarters" for high-pressure units. At the end of 1951, nearly 300 B&W natural-circulation units designed for pressures between 1400 and 2700 psi with temperatures up to 1100F, and including the world's largest boilers, were in service or on order. In the field *over* 2000 psi, more than 50 B&W units have been ordered since 1937, and 12 of them are in full-scale operation with outstanding performance records.

Power companies have taken advantage of this unique experience in the range over 1400 psi for an aggregate high-pressure steam-generating capacity of **187,000,000 lb. per hr.**

Pages with the Editors

It has been more than a century since Blondin, the famous French rope walker, amazed the world by crossing over Niagara Falls on a suspended line. Considering the controversy which has raged periodically in recent years over the development of this great natural resource, one could almost hope for a reincarnation of Blondin in the field of political economics to take charge of this troubled situation. Certainly it requires all the exact sense of balance and proportion and finesse which the late Frenchman possessed in his own specialty of physical gymnastics.

At the present writing, the diverse interests in Niagara development seem as far apart as ever. The Federal government, state of New York, private power companies, Canadian interests, and labor have their own points of view. Early this year Governor Dewey told the New York legislature that his state's plans for both Niagara and the St. Lawrence were "still being blocked by a stubborn group of Washington officials, some of whom seem determined that all hydroelectric power developments in the country must belong to the Federal government." He pointed out that Congress had withdrawn the Niagara project from normal licensing procedures under the Federal Power Act, but had failed to pass legislation permitting New York to go ahead.



GEORGE W. KEITH

C. S. HYNEMAN

Governor Dewey was very definite about where his state administration stood in its opposition to plans of the Federal administration when he said:

> One fact has clearly emerged. Our opposition has been revealed for what it really is—a stubborn scheme on the part of a group of empire builders in the Department of the Interior to prevent the development of hydroelectric resources by the northeastern states and to impose a Federal power network on our section of the country. Needless to say we shall fight this scheme to the last ditch and I believe we will ultimately win.

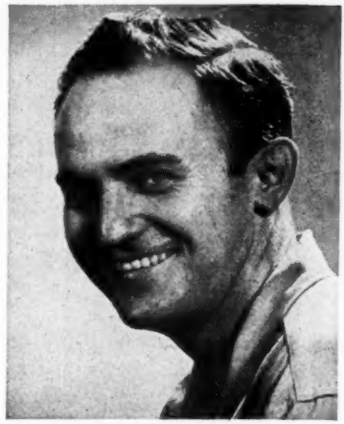
But there are other plans before Congress besides those which drew the wrath of the New York state governor. One of several bills for Niagara development would permit private power companies to participate. In this connection,

organized labor representing electric workers has taken a stand. And they do not seem to be impressed by glowing promises of governmental performances.

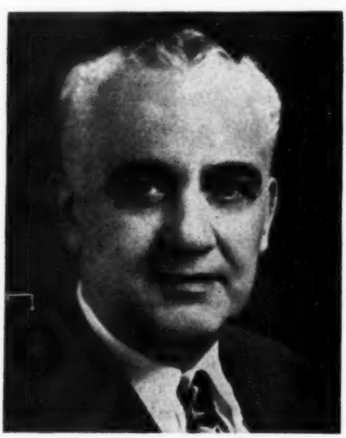
THE 2-part article which begins in this issue (page 201) is an analysis of the position of the different parties, including labor, on the various Niagara development schemes. It is a timely discussion because of current consideration by congressional committees and others of legislation which will eventually lead definitely to one program or another being adopted. GEORGE W. KEITH, author of this 2-part article, is a professional writer of Cincinnati.

* * * *

WE have another 2-part series beginning in this issue, although in the case of PROFESSOR C. S. HYNEMAN's "Federal Commissions—How Much Independence?" each of the two parts is complete in itself and can stand alone as a commentary on Federal commission organization. The first installment (which begins on page 211) deals with the provocative question: "Who oppose the regulatory commission and what is their argument?" PROFESSOR HYNEMAN, a new contributor to the FORTNIGHTLY, is a native of Indiana, educated at Indiana University, University of Pennsylvania, and the University of Illinois. He has been teaching political science at Northwestern University since 1947. He previously taught that subject at Syracuse University, the University of Illinois, and Louisiana State.



HENRY F. UNGER



H. A. STROUD

DURING World War II, PROFESSOR HYNEMAN came to Washington to serve the Federal government, first in the Bureau of the Budget, then with the War Department college training program, and finally with the Federal Communications Commission for three years. As assistant to the chairman of the FCC and executive officer, he had an excellent opportunity to gain firsthand knowledge.

* * * *

H. A. STROUD, promotion manager of the Monongahela Power Company, whose article on planned lighting begins on page 219, is chairman of the home lighting education committee, Better Light Better Sight Bureau of the Edison Electric Institute. He has long been active in EEI committee operations, serving as chairman of the EEI Residential Lighting Committee, and as chairman of the residential section of the EEI Commercial Division. He has been with the same system of companies for twenty-six years.

THE next number of this magazine will be out February 28th.

The Editors

Coming IN THE NEXT ISSUE

★

THE NATION'S CRITICAL POWER SUPPLY

Last October a special group was appointed by the Defense Production Administration to review the nation's defense electric power requirements. Recently, this so-called "Morehouse Committee" reported its findings to the U. S. Senate. The result seems to coincide to a remarkable degree with the earlier forecasts of the Defense Electric Power Administration on the same subject. Secretary of the Interior Oscar L. Chapman, in an original and exclusive article, compares and analyzes these two important developments.

METROPOLITAN BASIS FOR TRANSIT PLANNING

How much of a hurdle are city, borough, or county boundaries to over-all metropolitan mass transportation planning? What factors must be considered in planning such a system for an entire metropolitan region such as the New York-New Jersey-Connecticut area? Where can a happy medium be hit between improved highway facilities and modernized rail transportation? Then, once decided upon an integrated plan of modernization, how can such a program be financed successfully? What should the fare structure be in an over-all transport economic plan? And, what part would the various regulatory bodies play in supervising operations? William Reid, president of the Hudson & Manhattan Railroad Company, discusses these factors in a thought-provoking manner.

KEY TO FEDERAL COMMISSION SUCCESS—GOOD HOUSEKEEPING

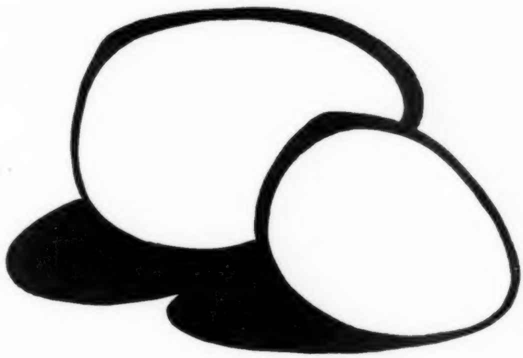
What kind of health do the Federal regulatory commissions enjoy? This question is a particularly serious one when the threats to the continued independence of Federal commissions are reviewed. One of the prime criticisms of the independent commission is that it manages its internal affairs poorly. Legislation seeking to correct this is pending in Congress at present. Whether the medicine prescribed by the critics will prove more harmful than the alleged disease is given thoughtful consideration. The author is C. S. Hyneman, professor at Northwestern University.

PIE IN THE SKY OVER NIAGARA. PART II.

Recently a report has been submitted by the Army Engineers concerning possible redevelopment of the Niagara river for power production. That report routinely recommends that the project be conducted by the Federal government. The final decision is in the lap of Congress where two committees have gathered testimony on three rival plans for additional power development at the Great American Falls. Much of the testimony points to a preference for the 5-utility company plan for private development—without cost to the Federal government; **i.e.,** the taxpayer. George W. Keith, professional writer of Cincinnati, Ohio, is the author.

★

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***



How much does an egg weigh?

A TURKEY egg weighs more than a hummingbird's. An ostrich egg weighs more than a chicken's.

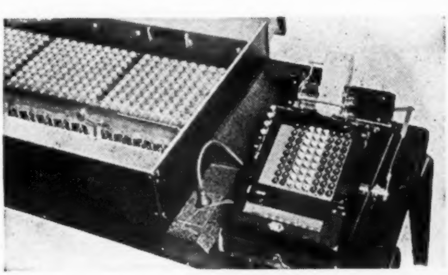
Eggs are not identical. They vary in size or weight. The same is true of your customers' bills.

Accurate information

In planning effective rate and promotional programs, therefore, many utilities find it important to know just how their customers' bills fall in various kilowatt-hour rate blocks.

Such bill analyses are compiled for them by the Recording and Statistical Corporation on specially designed electro-mechanical equipment. As many as 200,000 bills can be analyzed each day by our trained personnel. And the cost to you would be but a small fraction of a cent per item.

Would you like the complete facts about this accurate and economical method of compiling usage data? Write for "The One Step Method of Bill Analysis." It may save you time and money in the months ahead.



This Bill Frequency Analyzer—developed especially for utility usage data—automatically classifies and adds in 300 registers—in one step!

RECORDING AND STATISTICAL CORPORATION

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Remarkable Remarks

"There never was in the world two opinions alike."
—Montaigne

Benjamin F. Fairless
President, United States Steel Corporation.

"Instead of stopping inflation at the source by curbing unnecessary spending, government officials try to control it by 'stabilizing' prices and wages. . . . Yet they must know that if wages go up prices must go up also."

Editorial Statement
The Detroit News.

"The water that flows over Niagara Falls and thence into the still unused St. Lawrence Rapids is North America's most dependable source of hydroelectric power. To leave unused any exploitable part of that power source is, for peace or war, an unutterable folly."

Lewis W. Douglas
Former Ambassador to Great Britain.

"[The contemplated high level of government spending] will mean over many years a system of taxation so high that the formation of capital will be impeded if not prevented, and the technical progress which has so far characterized American industry will begin to wane."

Excerpt from resolution adopted by American Farm Bureau Federation.

"It is not whether the farmer is going to be represented but who shall speak for farmers. We deplore the efforts of any administrative agency of the Federal government to attempt to replace the rôles of the free and independent farm organizations in the formation of agricultural policy."

Arthur A. Smith
Vice president, First National Bank (Dallas, Texas).

"It is easy to blame the war and the international situation that has prevailed since and to point to the fact that other countries have also experienced inflation. But our inflation is less excusable than that of most countries because we are vastly stronger in economic power. Also, we should know better."

Harry Flood Byrd
U. S. Senator from Virginia.

"I think the real reason the South is disturbed is because the Truman policies are contrary to the fundamental principles of government as we in the South see them, especially with respect to the trend toward Socialism and the reckless spending of money and his utter disregard of states' rights in his constant effort to concentrate more and more power in Washington that we think should be exercised by the states and the local communities."

ROBERT G. SPROUL
President, University of California.

". . . I believe that our American universities must take an affirmative attitude toward the basic American value of responsible freedom. They must be the chief protagonists of our civilization, aggressive in their defense of our traditions, and vigorous in their opposition to those who would destroy them."

EDITORIAL STATEMENT
Los Angeles Times.

"With an organization having the public interest at heart, flood control would seem to be the first requisite of any river control and not the last. The MVA, however, would most likely put power first and irrigation second, as has been done on the Columbia and to a considerable extent on the Tennessee."

WILLIAM H. RUFFIN
President, National Association of Manufacturers.

"For every influence peddler there must be an influence buyer. For every bribe taker there must be a bribe giver. For every tax fixer there must be a tax avoider. For every corrupted official there must be a corrupter. For every crooked politician there must be tens of thousands of politically lazy and morally apathetic citizens."

LEWIS HANEY
Professor of economics, New York University.

". . . don't be fooled, the social planners in America have got as far as they have because they have put their radical schemes across by other names, meanwhile doing lip service to our traditional system of private enterprise. Many Americans who fell for the New Deal would have violently resisted a program tagged 'Socialism.'"

GLENN T. SEABORG
Co-winner, 1951 Nobel Prize for Science.

"It will be at least ten years before very much power at all is generated from atomic energy, and at least twenty years before atomic energy can compete with coal and water in producing electricity and industrial power. The basic science of how to generate power with atomic energy is understood, but a great many engineering problems are yet to be solved."

J. EDGAR HOOVER
Director, Federal Bureau of Investigation.

"The experience of people in other lands who suddenly found themselves living in a totalitarian state discloses that always the trend started with people in local communities being unable or unwilling to take care of local situations. I hope that day never comes to America, as our life is too precious to be supplanted by either a socialistic, fascist, or communist form of government."

EDITORIAL STATEMENT
The Wall Street Journal.

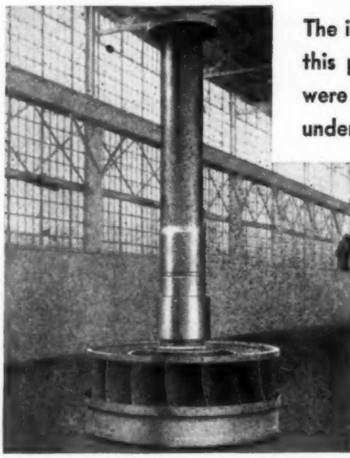
"Democracy succeeds, and can succeed, only where people in the mass exhibit higher attributes than one can logically expect of them. To get people to act this way requires more than laws. It requires a self-discipline, a feeling in the majority that though we be the majority and have the power to do things in our selfish interest we will not do them because they are unwise or unjust."

LEFFEL Hydraulic Turbines

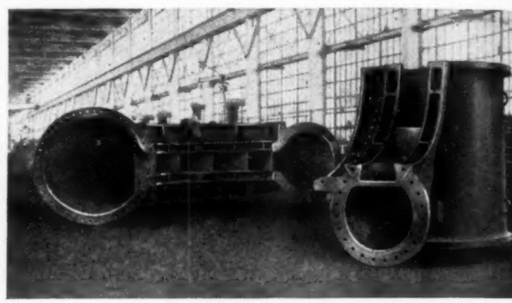
EFFICIENT • DEPENDABLE • SINCE 1862

Leffel Production Means Finer Performance . .

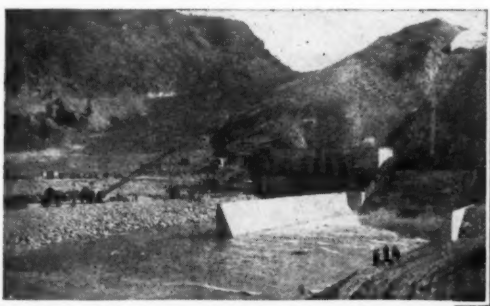
The illustrations below show a typical Leffel production job. For this particular installation two identical Francis type turbines were produced. Each has a maximum rating of 28,250 h.p. under 324 ft. net head, speed 277 r.p.m.



Runner and shaft, assembled in the Leffel plant.

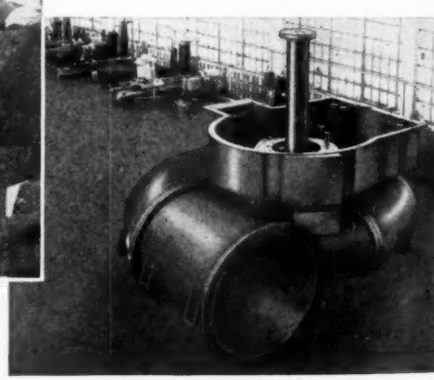


Sections of cast steel spiral casing on assembly floor.



Power-house with uncompleted spillway and earth-filled dam.

Leffel turbines are designed and constructed to give maximum power at minimum cost. 89 years of experience have demonstrated that long life and reliability are assured in **every** Leffel hydraulic turbine.



Completely assembled turbine unit.

FOUNDED IN 1862

THE JAMES LEFFEL & CO.

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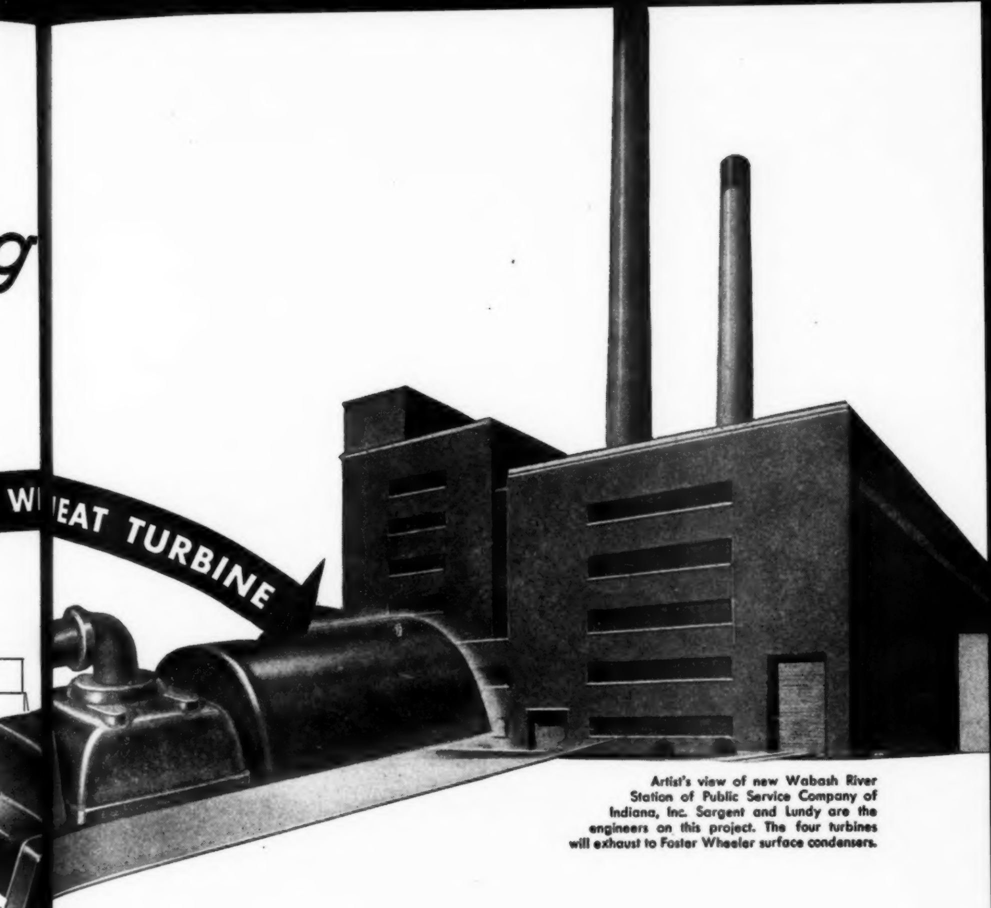

Artist's view of new Wabash River Station of Public Service Company of Indiana, Inc. Sargent and Lundy are the engineers on this project. The four turbines will exhaust to Foster Wheeler surface condensers.

ordering Foster Wheeler reheat steam generators

he large investment in present day power plant quipment dictates the careful selection of major omponents so as to avoid costly forced outages. oster Wheeler engineers have always sought to efine the techniques of steam generation. They therere took an early interest in the development of eheat where operating and control characteristics of e reheat boiler are integrated with those of the eheat turbine during every phase of service. Almost hree decades ago, these engineers were responsible r the utilization of the characteristics of radiant and onvection superheaters in series. Over "500 radiant perheater years" in one utility alone attest to the eliability of radiant surface for superheating.

he reheat steam generator illustrated is designed ith a combination radiant and convection superater and an all convection reheater. The chief adantages of this type of Foster Wheeler reheat steam enerator may be listed as follows:

- complete freedom from furnace slagging is assured because furnace can be designed to suit fuel characteristics rather than reheat cycle duty requirements
- permissible wider selection of fuel of varying slagging characteristics
- location of the reheater deep in the convection zone assures safer metal temperatures during all starting, shutting down, and emergency operating conditions

This design also incorporates such features as:

- complete drainability of all superheating and reheating surfaces essential to quick and normal starts
- wide range of precise control of final steam temperature
- fully independent means of controlling primary and reheat steam temperatures.

These features provide for complete integrating of steam generating unit with turbine requirements under normal, quick start or emergency conditions.

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FOSTER FW WHEELER

What truck will save you the most?

The answer's a cinch! The truck that'll save you the most is the one that fits your job the best. And that means a Dodge "*Job-Rated*" truck—one that's engineered for penny-pinchin' thrift on *your* job.

The engine of a Dodge "*Job-Rated*" truck is Scotch as can be with gasoline. You can thank its high-compression ratio for that. Upkeep costs are low, too, because a Dodge truck engine pares down costs with such values as chrome-plated top piston rings and exhaust valve seat inserts.

Count on a thrifty Dodge "*Job-Rated*" truc to give you more for your money right dow the line. You'll get greater braking safet easier bad-weather starting, easier handlin greater comfort, and smoother riding.

And you can get gýrol Fluid Drive on ½ ¾-, and 1-ton models. This Dodge *exclusi* "cushions" power for easier driving an longer truck life. Ask for a demonstratio

For help and advice on the kind of truc which will save *you* the most, see yo nearby Dodge dealer.

DODGE "Job-Rated" TRUCKS

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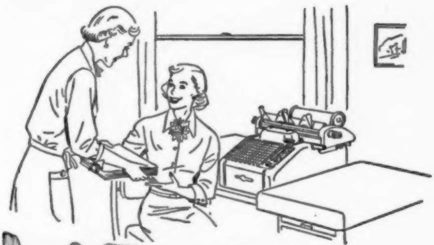
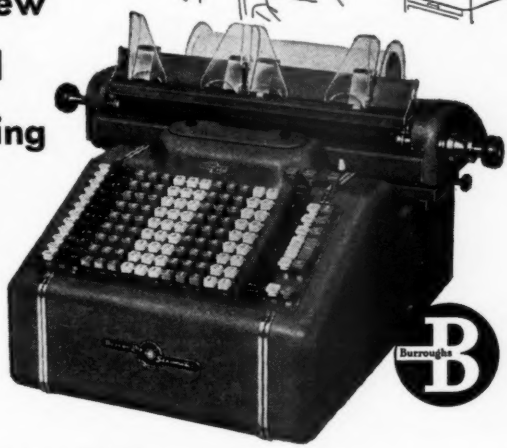


Here's a great new Burroughs to speed your ledger posting



Never before have utilities had the opportunity to mechanize ledger posting at such moderate cost—because never before has there been a medium-priced machine so flexible and fast, so easy to operate, as the sensational Burroughs Sensimatic.

This is the all-new, amazingly versatile figuring tool—the machine with a "mechanical brain" that directs it through every accounting job swiftly, easily, accurately. The Sensimatic makes possible the complete mechanization of all your posting work from a single machine.

Investigate now. Learn how the Sensimatic can save dollars, hours and effort . . . how surprisingly little it costs to own. Write for complete information. Burroughs Adding Machine Co., Detroit 32, Mich.

It's the Sensational

Burroughs Sensimatic

accounting machine

Handles all These Jobs
and more

- Operating Ledgers
- Work Order Ledgers
- General Ledger
- Material and Supplies Ledgers
- Bank Ledger
- Revenue Ledgers
- Accounts Receivable Control Ledgers
- Stockholders Ledger
- Operating Statements

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Kinnear Rolling Doors

save money at your service entrances

Installing Kinnear Steel Rolling Service Doors in your service entrances is an investment that quickly pays for itself in at least three ways:

(1) Coiling upward action gives you full use of *all* floor and wall space around doorways. Materials of any kind can be stored within an inch or two of the doors, inside or out, without impeding their operation.

(2) The neat, strong curtain of interlocking steel slats assures long, dependable service and low-cost maintenance.

(3) The all-metal construction of Kinnear Doors gives you extra protection against fire, intruders, wind and storm damage, and other hazards.

By opening straight upward with spring-counterbalanced action, they provide smooth, easy operation under all conditions. They can be equipped for manual, mechanical, or electrical control. Motor operated doors can be equipped with any number of remote control switches, for maximum convenience. Kinnear Doors are built in any size, for easy installation in old or new buildings. Write for complete information.

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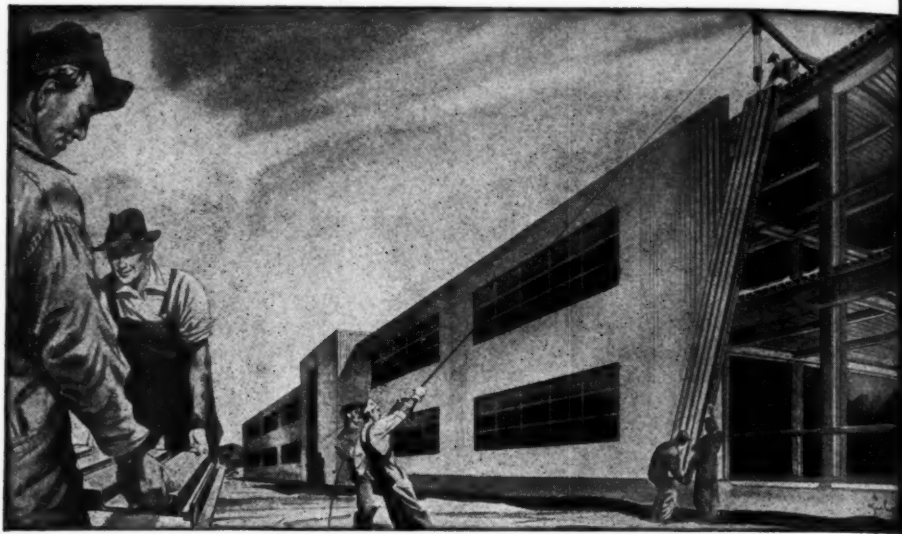
what we really make is time!



it's faster to hang a wall than to pile it up...

Little blocks, say 2" x 4" x 8", don't pile up very fast.

We hang walls up in sizable panels.

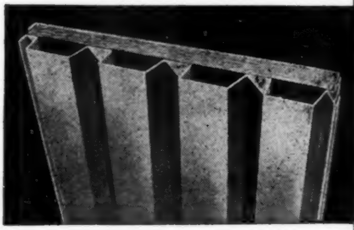
And that is an easy way to understand why Robertson's real product is *time*.

We make walls that are hung in place. We make them complete with insulation when the panels are delivered. We engineer them piece by piece in advance at the factory. We put expert crews on the job to place them.

We make time, now, when time is the essence.

We save days and weeks in finishing a building for *use*, because years have been put into the development of these unique skills.

Quick is the word we practice.



Q-Panels are fabricated from Galbestos, aluminum, stainless steel, galvanized and black steel in lengths up to 25'.

Q-Panels, 3" in depth with 1½" of incombustible insulation, have a thermal insulation value superior to that of a 12" dry masonry wall with firred plaster interior. A single Q-Panel with an area of 50 sq. ft. can be erected in nine minutes with a crew of only five men, and twenty-five workmen have erected as much as an acre of wall in three days.

Q-Panel construction is quick, dry, clean, and offers an interesting medium of architectural expression.

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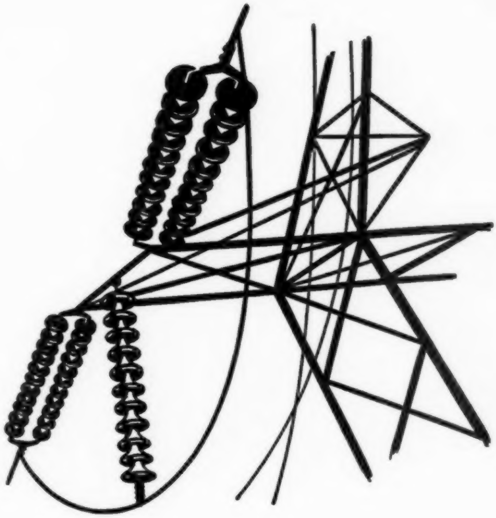

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Here are just a few of many developments in power equipment which typify the Elliott habit of keeping ahead, of attacking old problems in new ways, and of assuring up-to-the-minute design and performance economy to purchasers of Elliott equipment.

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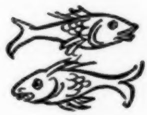
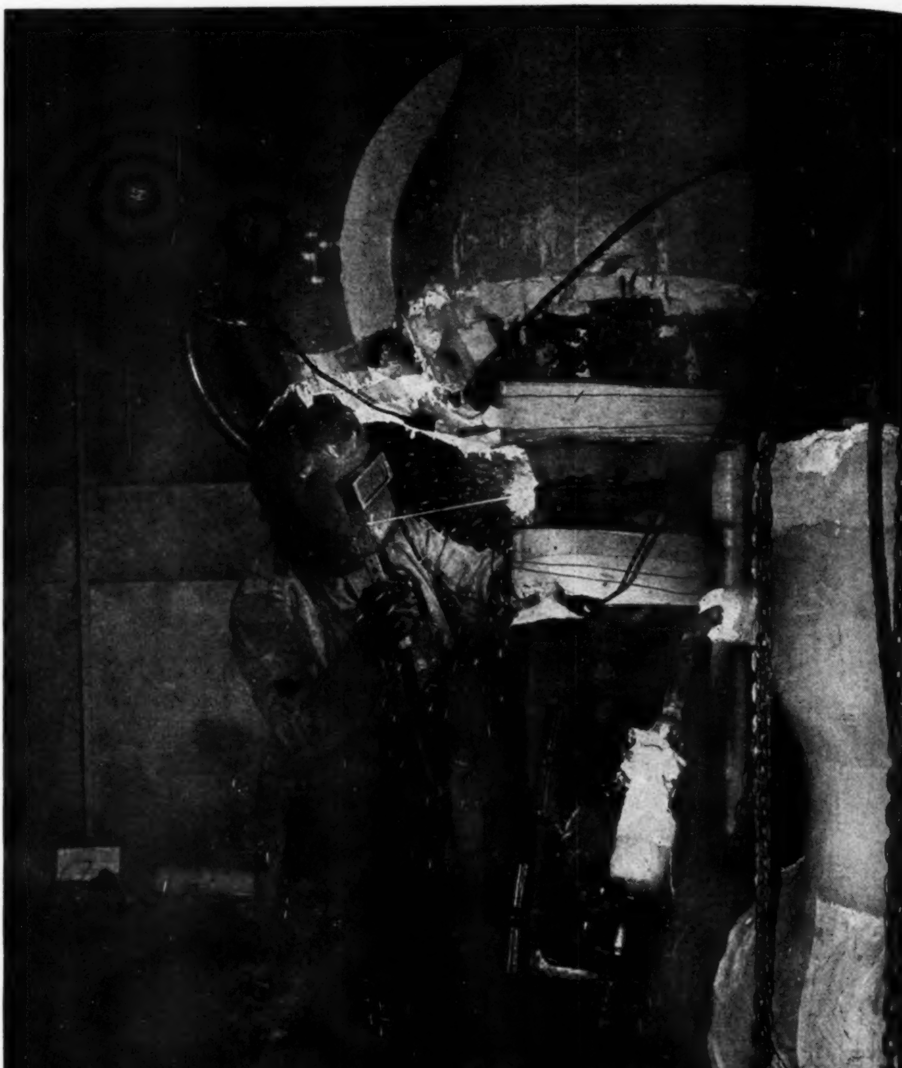


Utilities Almanack

February

14	Th	¶ *Edison Electric Institute, Transmission-Distribution Committee, begins meeting, St. Louis, Mo., 1952.*
15	F	¶ *American Water Works Association, Indiana Section, ends annual meeting, Indianapolis, Ind., 1952.*
16	Sa	¶ *Pennsylvania Electric Association, Prime Movers-Electrical Equipment Committees, will hold meeting, Philadelphia, Pa., Feb. 28, 29, 1952.*
17	S	¶ *Institute of Radio Engineers will hold national convention, New York, N. Y., Mar. 3–6, 1952.*
18	M	¶ *American Society of Civil Engineers will hold convention, New Orleans, La., Mar. 3–7, 1952.*
19	Tu	¶ *American Society for Testing Materials will hold spring meeting and committee week, Cleveland, Ohio, Mar. 3–7, 1952.*
20	W	¶ *Pennsylvania Electric Association, Relay Committee, begins winter meeting, Johnstown, Pa., 1952.*
21	Th	¶ *Public Information Program begins East-North-Central region meeting, Columbus, Ohio, 1952.*
22	F	¶ *Louisiana Telephone Association begins annual convention, Monroe, La., 1952.*
23	Sa	¶ *National Electrical Manufacturers Association will hold section meeting, Chicago, Ill., Mar. 10–13, 1952.*
24	S	¶ *National Association of Corrosion Engineers will hold annual conference, Galveston, Tex., Mar. 10–14, 1952.*
25	M	¶ *Illuminating Engineering Society will hold South Pacific coast regional conference, San Francisco, Cal., Mar. 13, 14, 1952.*
26	Tu	¶ *Southeastern Electric Exchange will hold engineering-operation section conference, New Orleans, La., Mar. 13, 14, 1952.*
27	W	¶ *Nebraska Telephone Association will hold annual convention, Omaha, Neb., Mar. 25, 26, 1952.*



Courtesy, Detroit Edison Company

Imprisoning Steam for Public Service

Public Utilities
FORTNIGHTLY

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Pie in the Sky over Niagara

PART I. *Too many cooks in the halls of Congress*

Who is to blame for the delay in developing power in the Niagara area so much needed in New York state? Is the state of New York anxious to retain all benefits for the home market? Are the private companies trying to confirm their territorial rights? Or is the Interior Department adopting a dog-in-the-manger attitude in refusing to let others go ahead? How does labor react to glowing promises of pie in the sky?

BY GEORGE W. KEITH*

WHETHER we like it or not, it is a privilege to pay taxes to maintain this bounteous, bountiful nation; it is a corresponding privilege to elect officers to estimate and propound these taxes. It follows, of course, that there is a duty on the part of these officers to keep these taxes within reason, and prevent their dissipation needlessly.

Lately, both officers and voters agree that taxes have long passed the state of reasonableness, and both profess to seek ways to bring them into line. Hence, it is rather startling for certain members of the Congress to propose calmly the spending of close to half a billion dollars from the Treasury on a project which can, demonstrably, be financed and built by private interests, with Federal, state, and local coffers profiting, and individual taxes being lightened.

The project is the redevelopment of the waters of the Niagara river, for generating much needed additional

*For personal note, see "Pages with the Editors."

kilowatts, which, all concerned agree, are vitally necessary, and which are being unduly delayed.

THE work is actually the culmination of a proposal conceived by a private utility as far back as 1920. But, it was not until August 9, 1950, that the Senate ratified the February 27, 1950, Niagara River Treaty with Canada, providing for the use of the full flow of water for power purposes, after insuring the continued splendor of the falls. When five privately owned and operated utility companies sought to enlist their time, talents, and funds in the enterprise, an "infernal triangle" developed.

The Lehman-Roosevelt (Jr.) bills before the Congress demanded that the Federal government build the works, while the Ives-Cole bills claimed the privilege for the state of New York, and the Capehart-Miller bills wanting the private utilities, already established in the area, to build and operate it without either state or national treasuries spending a cent. Let's look over these three proposals from the standpoint of an individual taxpayer, who has just recently begun to understand the compelling motive behind the dumping of the tea in Boston Harbor.

Here is what is involved: The Niagara river is only 36 miles long, but it drops 327 feet before reaching calmer waters, a mighty splurge of energy; for over 100 years this energy has been used, first to operate sawmills, and later to develop electrical power. In effect, Niagara Falls and the gorge constitute a dam created by the hand of Providence.

In 1895 the first electric power plant of any size at Niagara was the first large-scale hydroelectric development in the world—a great pioneering enterprise of American industry. All of the water power available to the United States has been developed solely by, first, the Niagara Falls Power Company and its successor, the present Niagara Mohawk Power Corporation. No other agency in the country has ever had any experience in this energy development. The company was licensed in 1921 to use the 220-foot available headwater, only. Three years previously it had proposed using the entire drop.

IN 1949 the bureau of power of the Federal Power Commission recommended practically the same idea, and Congress has now given the green light, without specifying who will do the job. Hence the fight. Private operation, under a half-century of rigid regulations, has been ready for thirty years to take on over-all development. Five New York state electric companies, Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, and Rochester Gas & Electric Corporation propose to build three additional plants: (1) Lewiston (three tunnels), ultimate capacity 1,080,000 kilowatts; (2) a pumped storage plant, capacity 130,000 kilowatts, with a nightly pumped reservoir to store 20,000 acre-feet (to increase capacity during peak-hour loads); (3) a Maid of the Mists tunnel pool (near Lewiston), capacity 120,000 kilowatts. Total *rated* capacity of all three: 1,330,000 kilowatts.

The project could well have been under way a year and a half ago but state and Federal authorities, both claiming jurisdiction, jammed the works.

The Lehman-Roosevelt bills would have the U. S. Engineers build the project from the Federal Treasury and turn it over to the state of New York on conditions which state officials bitterly contend will never come to pass. "Preference" to co-operatives and municipally owned plants is mandatory. The New York State Power Authority rejects this as an illegal and unwarranted discrimination against all other users of electricity in the area. Little or no appreciable taxes would result.

NEXT, look at the state's proposal: Senator Irving M. Ives and Representative W. Sterling Cole, both of New York, would have the state build the project with funds from tax-free bonds. Power would be distributed through existing systems, if satisfactory sales contracts can be made. The State Power Authority would fix rates, including those charged to the ultimate consumer. This arrangement would not produce any tax money.

Finally, there is the private enterprise proposal sponsored by Senator Homer Capehart, of Indiana, and Representative William E. Miller, of New York, who represents a huge section of the area under discussion. The Capehart - Miller arrangement would let the private utilities finance, build, and operate the entire project without cost to the taxpayer. Power would be distributed at state-regulated rates, on a cost-of-service basis. At least $23,000,000 in taxes annually to local, state, and Federal treasuries would result.

The claimed advantages of the first two proposals lie in theoretically lower power rates than those of the private companies. Sponsors concede this would be only because of indirect or concealed subsidy in the form of tax exemption and use of government credit for financing.

About a half-billion dollars would be added, however, to the multitude of tax load. Another government-operated, tax-free business would be launched in unfair and destructive competition with tax-paying business-managed enterprise.

FIRST let us examine the proposal of the utilities through the words of Earle J. Machold, president of Niagara Mohawk Power Corporation,

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Syracuse, spokesman for the five New York private utilities during these hearings.

"I want to emphasize at the outset," he told a Public Works subcommittee of the House, "the further development of the Niagara river, as proposed in HR 1642 (by Representative F. D. Roosevelt, Jr.) is solely a hydroelectric power development. The project involves no dam, or other structure in the river . . . no public function of government, state or Federal."

In other words, it would be a pure and simple government venture into the power business, as such.

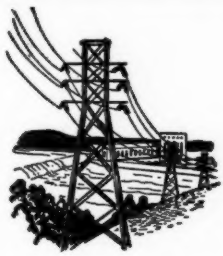
He noted that the five companies serve 43,000 square miles and 13,600,000 people, comprising 90 per cent of the area and the population of the state of New York, with 102 hydroelectric plants of 1,400,000-kilowatt capacity, and 27 steam plants of about 4,600,000-kilowatt capacity, for a grand total of 6,000,000 kilowatts. These companies are so economically interconnected as to utilize every drop of energy to the best advantage. In 1950 they turned out 26 billion or more kilowatt hours of electricity.

They employ nearly 46,000 persons on a payroll of $182,000,000. They paid taxes to the tune of $136,000,000 (1950)—$56,000,000 in Federal and $80,000,000 in state and local taxes. Over a quarter-million people in 48 states are stockholders, including life insurance, banks, and other financial institutions.

MACHOLD pointed out that these companies have the financial resources, experience, engineering knowledge, familiarity with the problems peculiar to the area, plus the executive ability to start the job immediately and push it to completion quicker and more economically than anyone else. While the contemplated project would cost them over $350,000,000, that is little more than they are now spending per year for new construction. In 1951 they spent, he said, a quarter-billion for improvements. He recalled, incidentally, that government construction cost estimates usually fall short of their actual completed cost.

Asked during a Senate hearing, by Senator McClellan, of Arkansas, if steam would be needed to "firm up" the power produced by this project, Machold replied that hydroelectric power would fluctuate during 24-hour operation, and to get maximum capacity, steam would have to supplement it. A government project would either have to get additional power from private utilities, or build its own steam plant, costing the taxpayers another $100,000,000 or more. The power which would be made available by this project would represent only 13.7 per cent of the private companies' capacity (or less than the 60 per cent of work now under construction). Defense and ordinary demands would consume it as fast as available.

THESE comparisons were made, not to belittle the important Niagara project, but to bring it into proper prospective. This sort of thing is commonplace with the utilities and contrary to the false but widespread impression that only government is able to handle jobs of this magnitude. Actually, government has no experience whatever in purely power instal-



State Cynicism As to Federal Surrender

"REPRESENTATIVE *Miller of New York told the House committee, 'I do not hesitate to prophesy that if the Federal government developed the project,* THE DAY WOULD NEVER COME WHEN IT WOULD BE TURNED OVER TO THE STATE OF NEW YORK, OR ANY AGENCY THEREOF. . . . *I think I am the only Congressman that ever came before a committee and said "Please do not send any money to my area, I do not want it!" . . .* ' "

lations. Hitherto U. S. Army Engineers have planned and supervised reclamation, irrigation, flood-control, and navigational jobs, which were done by private contractors. Machold pointed out that the only possible governmental interest involved is the preservation of the scenic beauty of Niagara Falls. The remedial works needed to insure this would cost about $2,000,000, shared by Canada and this country. The five U. S. companies would bear this expense. They would also *pay* over to the Federal government about $9,250,000 a year, to the state $4,300,000, to local governments $9,450,000.

By contrast the Lehman-Roosevelt alternative would not even provide the piddling frozen payments "in lieu of taxes" drafted along lines of the TVA[1] arrangement.

The New York utilities urged Senator Connally of the Foreign Rela-

[1] Experiences with such programs have demonstrated that they fall far short of reimbursing state and local governments for the property taxes lost. Such was the conclusion of a disinterested investigation of the subject by a task force of the Hoover Commission, which stated that the FPC (1948) fixed 1.4 per cent of the TVA hydroelectric power investment as the amount for payment in lieu of taxes to reimburse state and local governments. TVA in 1947 actually paid $1,668,000, although the 1.4 per cent figure meant it should have paid about $7,314,900 to state and local units in lieu of taxes. Nothing for Uncle Sam!

This same task force, commenting on Federal ability to undersell privately owned concerns, also recalled that in many cases such as TVA, interest during construction is not charged, thereby understating the investment, and the equivalent of taxes paid by private companies to three levels of government is not included during construction periods or annually, and that substantial parts of cost are charged to other than power nonreimbursables, such as flood control, navigation, etc. Thus, the task force concluded, after analyzing typical residential and commercial electric bills in areas of both publicly and privately owned utilities, that the difference between these bills is roughly equal to what the public power projects do not pay in taxes.

tions Committee to ratify the Niagara Treaty with Canada, citing the need for haste in the face of the international situation and the nation's power needs. All preparatory steps are completed. Only official sanction is necessary to start. All five companies are soundly capitalized, and highly regarded in the investment world. They stand ready and willing to supply the needed equity investment. Their transmission lines are presently integrated in a power pool interconnected with New England, New York city, New Jersey, and Pennsylvania utilities, and with the Hydro-Electric Power Commission of Ontario.

No private profit would be derived from the water itself. A return on the capital necessarily invested to generate power from the water, and to make the power available for the use of the public would, of course, be required as in any other free enterprise form of business operation. Only government can coerce investment by taxpayers without their consent, in business operations which are conducted without profit or at actual loss. "The price of power to the participant companies would be its cost," according to Machold, "because all are under rate and other regulations of the public service commission of the state of New York . . . on a strict 'cost of service basis.' "

The Federal Power Act provides further safeguards for the protection of local as well as national interests. Under this act Federal recapture of such a project is authorized after fifty years. Since Niagara Mohawk's present license for limited use of the waters expires in 1971, the new company would not object to having the redevelopment expire at the same time.

Now let us examine the Roosevelt Bill, which seems to point an accusing finger at private companies, when it declares "to be the policy of the United States that the share of those waters available to the United States for power purposes . . . shall be used to develop power in the public interest by a public agency . . ."

The main sticking point is the condition under which Uncle Sam would turn over the federally constructed project to the state of New York. This would require an agreement between the Federal and state governments that, among other things, "no part of the United States share of the waters . . . shall be diverted by it [the state] to any person or private company; nor shall the use of any part of said waters of the rights pertaining thereto be sold, leased, or otherwise alienated . . . to any person or private company for the generation of hydroelectric power; nor shall the power facilities be sold, leased, pledged, mortgaged, or otherwise alienated to any person or private company."

The Roosevelt Bill further requires that preference be given to "states, counties, and municipalities, including agencies or instrumentalities . . . and to co-operative or other organizations not organized . . . for profit but primarily for . . . supplying electric energy . . . at cost, and to the Department of Defense." Just to be sure that there is no excuse even for a do-nothing or apathetic public agency to stay out of the power business, the bill says that transmission lines and related fa-

cilities "shall be constructed or acquired by purchase or other agreement" to make project power available to those organizations already mentioned, "and private companies" (subject to the "preference," of course).

THE state is told how it shall handle resale contracts which must be for no more than twenty years. The project must be co-ordinated with any future northeastern power pool. New York must apportion the power among other states, etc. The power must be sold and distributed primarily for the benefit of the people as consumers. The bill goes on to require that it be sold and distributed "particularly for the benefit of domestic and rural consumers, to whom it shall be made available at the lowest possible rates and in such manner as to encourage the widest possible use."

Finally, the bill says that if the project power is not handled exactly according to these conditions, restrictions, and policies fostering public ownership expansion, "the project shall be maintained and operated, and project power disposed of by such agency of the government of the United States as may be hereafter created for such purpose" with the Army operating it until "such agency" takes over. Meanwhile, of course, Uncle Sam will pick up the check and keep the wheels turning. If the state of New York should agree to this setup, it would have to pay back Uncle Sam out of project earnings.

Representative Miller of New York told the House committee, "I do not hesitate to prophesy that if the Federal government developed the project, *the day would never come when it would be turned over to the state of New York, or any agency thereof*. [Italics supplied.] I think I am the only Congressman that ever came before a committee and said 'Please do not send any money to my area, I do not want it!' . . . we have all these people down here, like Senator Lehman and Mr. Roosevelt, worrying about the people, and yet I represent the people, and they are satisfied. They do not want to be protected any more." Miller's district embraces 400,000 residents of the area.

CITING the familiar story of no taxes paid by public projects, Miller told the committee that Niagara Mohawk pays the city of Niagara Falls about one-fourth of all taxes due that municipality. He expressed little faith in the amendment to Senator

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Lehman's bill, providing for payment in lieu of taxes. He charged that TVA is only paying about one-fourth of the amount of the FPC formula provisions already mentioned. He observed that the average residential and farm power rate of Niagara Mohawk (1950) was 2.5 cents per kilowatt hour, as against the national average of 2.89 cents. He concluded with the statement that "the people in my district are being worried about the prospect of, in twenty years, being saddled with a government TVA."

The Congressman suggested that if "cheap" government power arguments were applied to autos, tires, or clothing, the tax-subsidy fallacy would swiftly empty the Treasury and wreck the nation.

"I have seen," he said, "no case in my short tenure . . . where anyone has been able to prove that there is somebody in the Federal government that knows more than anybody else, and that somehow they can develop power and sell it cheaper than anybody else, because they have more engineering know-how, or, because somehow they are from the pixie realm, or they are geniuses of some realm. If they do not pay any taxes they can sell it cheaper. I could, too."

NEAR the close of the Senate hearing Congressman Miller, replying to Senator Dworshak (Republican, Idaho), said he was also opposed to the State Authority doing the job (Ives-Cole bills) because he could "see no necessity for it, with public service commission. They are not doing anything now. They have one transmission line which they lease to Niagara Mohawk."

Coming now to the somewhat intermediate proposal of the State Power Authority, Chairman John E. Burton of that authority acknowledged to the committee in the same hearing that it had no direct experience with supervision or operation of any New York power project. More startling, however, was the vigor of Chairman Burton's criticism of the Federal proposal. He condemned the hearings, such as the "dog-in-the-manger attitude of the Federal administration [which] has caused high rates and restricted use of electricity in the area." He said that "The Department of the Interior and the President are responsible for excessive electric costs in New York today. They are aided and abetted by Senator Lehman and Mr. Roosevelt. The Northeast must look to Congress to break this stranglehold."

Burton, naturally, favored the Ives-Cole bills. But he repeated virtually what had been said by Congressman Miller: "The Power Authority believes that the Lehman-Roosevelt plan for ultimate operation of the Niagara project by New York will not be carried out. New York would take over the Niagara power facilities, when, as, and if an agreement between the United States and the state of New York has been negotiated."

BURTON objected to this phrase in the bill: "among other things," and the language which covers what would be done in the event of failure of a Federal-state agreement to be negotiated: "the project power shall be delivered and disposed of by the Department of the Interior." He called it an open invitation to sabotage

the intent of the bill. Again, Burton objected strenuously to the power preference clause in favor of public agencies and co-operatives. He said he was in full sympathy with co-ops trying to obtain a reasonable share of the power. "But," he insisted, "we cannot subscribe to a complete preference that would shortchange and discriminate against other domestic and rural consumers."

"New York state," he continued, "cannot accept congressionally enforced public transmission of Niagara power under our own law, or the Department of the Interior's discriminatory preference, in the place of our own equitable treatment of all rural and domestic consumers."

Burton thinks that Federal demands for preference alone would block New York state acceptance. What's more, he doesn't even think the proposed offer of turning over the project to the state is sincere. He declared that "the Lehman-Roosevelt bill stands unmasked as a straight Federal power project, without even a pretense of constitutionality. The most ambitious of Federal power empire builders would not have the brass to put such a proposition before the Congress. The opponents place great emphasis on this discrimination as a 'safeguard' . . . For whom? . . . For the relatively few served publicly or co-operatively [6 co-operatives and 50 municipally owned], as against the millions served privately."

BURTON also characterized as impractical the provision that transmission lines to deliver the power "shall be constructed, or acquired by purchase, or other agreement." This meant the Power Authority would have to go into the transmission business, even if it duplicated existing facilities. Senator Lehman denied this; but the state agency was unconvinced.

"To get to all domestic and rural consumers we have to use private lines," Burton said. "We have got to encourage existing systems . . . to tie themselves together so the power that comes out of Niagara will have its effect in New York city."

Pointing to reasons why that metropolis has high electric rates, he said, "We want not only cheap power there, but if we can get the public, the private, the entire existing systems in the Northeast to tie themselves together (something the private utilities indicate they favor), we can get an economy that is over and above just water power . . . which in and of itself is worth about $25,000,000 in New York state alone."

On the balance, Chairman Burton seemed more sympathetic toward the private companies in his state than for the alternative Federal proposal. He primarily favored the state (Ives-Cole) plan.

DURING the hearing it developed that Burton's concern over Federal usurpation of the powers and prerogatives of the sovereign state of New York is based partly on a recent "President's Water Resources Policy Commission" report, which stated in part: "In certain regions the Federal government is, or will presently become, the main source of future power supply; will provide a completely integrated wholesale regional system for transmitting low-cost power to the

major distribution centers in the region. . . . It may prove desirable in northern New York and New England, where the Niagara, St. Lawrence, and New England river basin developments would afford a splendid interconnected source of power supply in what is now one of the highest electric rates in the country."

Burton referred to previous testimony before this same Senate committee in 1948, by Dr. A. E. Morgan.

"If we get at the bottom of this proposal, we see that it arises from a feeling that state and local self-government is a failure, and that it must be displaced by a centralized administration controlled from the national capital," Morgan said.

Burton stressed that such was not *his* opinion but rather the opinion of what the planners in Washington want to do in river basin and regional developments throughout the United States. He added, "we find strong evidence [of this] in the New England-New York Intra-agency Basin Commission . . . on which I represent the governor of the state of New York, and we expect, if we cannot stop it, the Northeast will be taken over by a Federal power monopoly."

SENATOR Ives of New York, father of the State Authority bill in the Senate, voiced the same fears as expressed by the authority official: "For all of us should be aware that this Interior group are empire builders, driving eastward their course of empire. They want to take over northeastern water power themselves."

At the close of his appearance before the Senate committee Chairman Burton addressed himself to the Senator from Kansas (who was a former fellow member of the Hoover Commission Task Force) thus:

"Senator Carlson, you know our beliefs in the Hoover Commission. We did not want the states to stand up and tell the Federal government to go away and let it do its business. We wanted co-operation. We wanted fair recognition of state's abilities. We think . . . New York is able . . . pleased . . . and willing and anxious, to serve Ohio, Pennsylvania, and the Northeast with this very important project."

In the next instalment of this article an account will be made of actual developments in Federal government maneuvering to take over the Niagara project and what organized labor thinks of it.

PART II *of this article will appear in the next issue of the* FORTNIGHTLY.

"THE *basic concept of the American system is unique because it revolves around individual freedom, with rewards commensurate with contribution to society. Such a system provides for the maximum release of individual energy, which is the most creative force in the world. In 1949 Winston Churchill expressed grave concern over the destruction of personal initiative in his country: 'It is this vital creative impulse,' he said, 'that I deeply fear the doctrines and policy of the Socialist government have destroyed, or are rapidly destroying, in our national life.'*"

—EXCERPT *from the New England Letter, published by The First National Bank of Boston.*

Federal Commissions—How Much Independence?

PART I. *Who Oppose the Regulatory Commission and What Is Their Argument?*

Since the very earliest days of regulatory commissions in the United States, the question of how much freedom of action they should enjoy has been a continuous and complicated question. Although distinct from each of the three constitutional branches of our government, the commissions nevertheless take on a trinity of attributes which the lawyers call quasi judicial, quasi legislative, and quasi administrative. Belonging to no category, the commission must nevertheless function along all three lines.

By C. S. HYNEMAN*

GOVERNMENT regulation of business in North America dates from the earliest white settlements. The Pilgrims had hardly cleared enough land to plant a garden before they passed an ordinance forbidding a settler to sell or transport timber without first obtaining the consent of the governor and council. By the year 1700 every one of the colonies had its statute books crammed with legislation which subjected business, industry, professions, and other occupations or callings to kinds and degrees of governmental control which the most enthusiastic supporters of a welfare state today would not think of advocating.

This system of governmental control was the fruit of old world doctrines of mercantilism which the colonists had lived under before they came to the continent of North America. Mercantilism was founded on a theory that government should regulate everything that had a significant bearing on the ability of one nation or state to get what it wanted in competition with other nations or states.

In the course of time the conditions of the frontier moved the white people in North America over to a drastically different view of the proper

*For personal note, see "Pages with the Editors."

rôle of government, and by the year 1800 most of the earlier regulatory legislation had been repealed or had become ineffective because not enforced.

THE rebound from the early règime of extreme governmental control of economic and social affairs led to an idealization of free enterprise and much talk about *laissez faire*. The truth is, of course, that the retreat from the highest peak of governmental control did not result in complete abandonment of governmental regulation. Continuously during the period when we were nearest to *laissez faire*, one state legislature or another was bringing some aspect of business enterprise under governmental authority or extending governmental control over some aspect of business that was already regulated. For some seventy-five years after the Constitution was adopted, the national government was mainly onlooker rather than participant in regulation of business. The first acts of Congress that brought a sector of business under effective national control were those establishing and regulating a system of national banks in 1863 and 1864. The Interstate Commerce Act of 1887 brought interstate railroads under regulation and the Sherman Act (1890) forbade monopolies and restraint of interstate and foreign commerce.

It was not until the Wilson administration, beginning in 1913, however, that the national government was brought to the front in public control of business. The New Deal, of course, took us much further along this road. The box on page 213 gives a quick picture of progress on the return road to the welfare state, beginning with the Wilson administration.

IN this long experience in regulating business through government, we have developed three primary methods of government control:

1. Enactment of policy in statute and dependence on the courts for enforcement.
2. Enactment of policy in statute and dependence on an administrative department or bureau to supplement and enforce the policy.
3. Enactment of policy in statute and dependence on an independent commission to supplement and enforce the policy.

We use all three of these methods today. The enforcement of the Sherman Act, the Clayton Act, and subsequent laws relating to monopoly and restraint of trade is effected mainly by actions brought before courts. The regulation of packers and stockyards illustrates the second method—reliance on an administrative department (Agriculture) to make further regulations and issue orders for compliance with statutes and regulations. The table on page 217 gives some essential facts about the independent commissions we have set up (the third method) to supplement the law with further regulations and to enforce both statutory and administrative provisions.

WE created our first national regulatory commission over sixty years ago, the Interstate Commerce

Commission in 1887. Since that time every major sector of commerce and industry which has been brought under general regulation by the national government has been put under an independent commission. Until the second term of Franklin D. Roosevelt we heard little objection to this method of control. In 1937 the President's Committee on Administrative Management (also called Brownlow Committee) made a comprehensive report on how to improve the administration of the national government. It recommended that the regulatory activities which are under independent commissions be split down the middle, separating the formulation of regulatory policy from the decision of individual cases arising under the statutes and administrative regulations. The formation of policy, including the making of rules and regulations, the committee said, should be placed under administrative officials in one of the regular administrative departments. The decision of individual cases, it said, should be entrusted to a commission, but the commission should be placed within the same department which makes the policies which the commission enforces.

Landmarks in the Establishment of Regulation of Business and Industry by the Federal Government Since 1913

1790 First law relating to patents; Patent Office established in 1802
1838 Steamboat Inspection Service
1863 Regulation of Banking and creation of the Office of Comptroller of the Currency
1872 Administrative enforcement of legislation relating to the use of the mails to defraud
1887 Interstate Commerce Commission and regulation of interstate rail transportation; regulation of telephone, telegraph, cables, pipelines, and motor carriers later given to ICC
1890 Sherman Act forbidding monopolies and combinations in restraint of trade
1906 Pure Food and Drug Act; cosmetics brought under regulation in 1938
1913 Establishment of Federal Reserve System
1914 Clayton Act and establishment of Federal Trade Commission; Robinson-Patman Act enacted in 1936; authority of FTC extended to false and misleading advertising in 1938
1916 Grain Standards Act
1916 Creation of U. S. Shipping Board (succeeded by U. S. Maritime Commission in 1936, which was absorbed by the Department of Commerce in 1950)
1920 Federal Power Commission (electricity and subsequently natural gas)
1921 Packers and Stockyards Act
1922 Grain Futures Act
1926 Air Commerce Act; Civil Aeronautics Board, and Civil Aeronautics Authority in the Department of Commerce established in 1938
1927 Federal Radio Commission and regulation of radio; succeeded in 1934 by Federal Communications Commission (telephone, telegraph, and cables switched from ICC)
1933 Federal Deposit Insurance
1933 National Industrial Recovery Act (thrown out by the Supreme Court)
1933 Securities and Exchange Commission created in 1934
1935 Public Utility Holding Company Act
1935 National Labor Relations Board
1935 Bituminous Coal Act, creating the first Bituminous Coal Commission (second Bituminous Coal Commission created in 1937, ended in 1943)
1936 Commodities Exchange Act
1940 Production and price controls, rationing, and other wartime measures
1950 Defense Production Act—wartime controls resumed

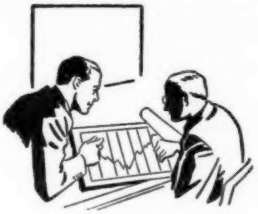
SINCE 1937 the outcry against the independent commission has continued and increased. It comes mainly from college professors who make the study of government their main business, but they are encouraged by lesser officials in the administrative branch of the government (and I suppose by others) who either find it not politic to put their views in print or have not developed the habit of printing what they think. The attack is expressed in proposals to take the policy-making power away from the commission and give it to an administrative department, to put the commission in an administrative department and under the direction of a department head or bureau chief, or to abolish the commission altogether and entrust the whole regulatory authority to an administrative department or bureau.

The Hoover Commission, reporting in 1949, is the latest official body to render advice on where regulatory authority should be placed in the administrative branch. It voted for the continuance of the independent commissions, but recommended that activities not essential to regulation be taken away from the commissions. The Hoover Commission's advice may have stilled the voice of some who formerly opposed the independent commission and checked the outcry of others whom the Hoover Commission did not convince. But we may be sure that opposition to the independent regulatory commission will continue.

My purpose in the remainder of this article is to state briefly the arguments which are made for and against the independent regulatory commissions, and to point out the major considerations which we must weigh in deciding whether to continue them or to transfer their regulatory responsibilities to administrative departments.

THE case for regulation by independent commissions stands on three grounds:

1 The authority to make regulatory policies and to decide individual cases ought to be shared by a group of men of equal status, not entrusted to a single official. The members of a commission provide different backgrounds of knowledge and experience; one may be a lawyer, another may be an engineer, another may have been a business executive. They bring different points of view to the regulatory problem and may even be regarded as representatives of all major interests involved in regulation; thus the eleven members of the Interstate Commerce Commission may include men with railroad operating experience, men who know and are sympathetic with different industries that ship vast quantities of goods by rail, and men who come from various parts of the country and know how transportation policy affects different parts of the country. If regulation is placed in an administrative department or bureau these values are lost. Members of the administrative staff who make studies and recommend action may provide different kinds of knowledge and experience and represent different points of view. But, in the administrative department, one official has the authority to decide and he is in a position to make his personal convictions triumphant.



Independence—the Basis of Regulatory Success

"REGULATION of any industry or sector of business activity should be placed in an organization that has no concern other than that one regulatory task. All people, when they do business with government, like to find a spot where they can talk to a man who both understands the matter under discussion and has authority to act on that matter. The independent commission satisfies this demand."

2. Regulation of any industry or sector of business activity should be placed in an organization that has no concern other than that one regulatory task. All people, when they do business with government, like to find a spot where they can talk to a man who both understands the matter under discussion and has authority to act on that matter. The independent commission satisfies this demand. The affairs which the commission regulates are sufficiently restricted in compass that every commissioner can talk intelligently about any regulatory problem; and the commissioners collectively have authority to tell the businessman or other citizen what the commission can and cannot do. This is not the case where regulation is entrusted to an administrative department. In the administrative department the man who understands the regulatory problem sufficiently to be worth talking to may say, "In my opinion, this is what ought to be done but I do not have the authority to decide." And the man who has authority to decide may say, "I do not understand what you are talking about and therefore will not know what to do until I get a report from my subordinates."

3. The independent commission provides a good balance between independence from the political branches of the government and subordination to them. The commissioners are appointed by the President and Senate and may be removed by them. Their authority is fixed and changed by law. What they can do and how thoroughly or carefully they can do these things is determined by annual appropriations which are recommended by the President in his budget, revised by Congress, and made effective by agreement of the President and Congress.

But, while President and Congress-

men feel free to talk to members of a commission about their regulatory policies and how they ought to decide particular cases, they recognize that the commissioners have no obligation to follow their advice. The situation would be quite different if regulation were placed in an administrative department. The President is expected to give instructions to the administrative official and Congressmen feel free to make demands either by going direct to the official or by proceeding through the White House. Furthermore, whether pressed by political leaders or not, the administrative official is likely to be alert to a wide range of political considerations and to fit regulatory policy and decisions to these broader considerations. This would introduce into the regulatory policy considerations that ought to be viewed as irrelevant or improper, and which would be excluded or kept to a minimum by the independent commission.

THE case for doing away with the independent commission also stands on three principal grounds:

1. The independent commission is too independent. When government pervades as many of our affairs as it does now, all governmental policies must be carefully related to one another. Policies in regulating different industries and sectors of business activity must be related to one another and to many other governmental programs. For such co-ordination and integration we depend on the President and officials who work under his immediate direction. Such co-ordination and integration can be effected only if those governmental programs which have clearest relation to one another are brought into the same department, and if the total number of departments which the President must direct and control is small.

2. Regulation should be put in an administrative department. If there is a value in having a group of men rather than a single official decide individual cases which arise under regulatory policy, a commission can be used for deciding these cases. But the commission should be put into the administrative department which makes the supplementary regulatory policies (rules and regulations) so that the head of the department can do what is necessary to make policies and individual decisions fit together, and enable the President to know which department head to put his finger on when he thinks proper co-ordination is not being effected.

3. A commission does a poor job of managing the working force which makes studies for it and recommends action on regulatory problems. If this working force is brought into an administrative department and put under the direction of a single official it will be improved in quality and compelled to work more intelligently and more assiduously.

NOW we have the two bodies of contention. As presented above, there is nothing phony about either one. Each side to the argument wishes to achieve some values which the other side will concede to be highly important. We have an argument be-

cause we differ as to the relative importance of these different values and because we differ as to what type of organization is most likely to achieve any of these values.

The analysis of the issue which is thus posed, it seems to me, calls for consideration of the following questions:

1. How important is it that we have effective management of the working force which studies regulatory problems and makes recommendations for action? I put this question first because I intend not to examine it here. This question is examined in another article which is to succeed this one.

2. How important is it that our various bodies of regulatory policy be co-ordinated with one another and with other governmental programs? Certainly there must be some co-ordination. We want the people who regulate air transportation to know what is being planned by the people who regulate rail transportation. We want the policies which govern radio communication for airplanes (now made by FCC) to fit together with the policies governing air transportation and airport facilities (now made by CAA and CAB). We do not want the Federal Reserve Board to go off in one direction on matters affecting price level and inflation while the Treasury Department, RFC, and other agencies are riding hard in other directions.

3. What should be the President's rôle in co-ordination? The President can have the members of the Federal Reserve Board into his office to discuss policy in respect to price level and inflation, and he can have officials of the Treasury Department, RFC, and other administrative organizations there at the same time. He can force one to sit quietly while another talks, and he can tell all of them what he thinks they ought to do, singly or collectively. But he cannot legally order the Federal Reserve Board to adopt a particular policy or set aside one of its decisions which he does not like. CAB must get the President's approval of any of its decisions which authorize air transport between points in the United States and points in other countries, and the President may insist before signing that the de-

THE EIGHT INDEPENDENT FEDERAL COMMISSIONS
(Year in parenthesis marks date of original creation)

	Members	*Term*	*Salary*
*Interstate Commerce Commission (1887)	11	7 yrs.	$12,000
Federal Reserve Board (1913)	7	14 yrs.	16,000
Federal Trade Commission (1914)	5	7 yrs.	15,000
Federal Power Commission (1920)	5	5 yrs.	15,000
Securities and Exchange Commission (1934)	5	5 yrs.	15,000
Federal Communications Commission (1934)	7	7 yrs.	15,000
†National Labor Relations Board (1935)	5	5 yrs.	15,000
Civil Aeronautics Board (1938)	5	6 yrs.	15,000

*Chairman elected by members. Other commission chairmen are designated by the President.

†No political limitation on membership. Other commissions limit a bare majority to membership in the same party.

cision be satisfactory to the Secretary of State. This is so because a specific statutory provision requires that the President approve or disapprove such decisions. But the President cannot veto or hold up a decision of CAB authorizing air transport between points within the United States on the ground that the decision is unsatisfactory to ICC and harmful to rail transportation.

If anyone be of the opinion that the President ought to have more power to co-ordinate regulatory activity with the rest of the government, he is not forced to conclude that the regulatory activity should be put in an administrative department. The President can be given the power to approve or disapprove decisions relating to particular aspects or issues of regulatory policy, as has been done in the case of CAB's decisions authorizing international air service.

4. Who decides what the President will sign? Before we increase the President's power to tell the regulatory authorities what they ought to do or to veto their decisions by refusing to approve them, we ought to find out who will actually exercise this power. It may be that the President knows enough about the issues to express his own wishes when he approves or disapproves a decision of CAB authorizing international air service. It is more probable that he does not have a personal conviction as to what ought to be done and signs a document which represents the convictions of someone else. A case study of the President's action on one proposal of CAB to authorize international service reveals that, in that case, the President acted on the advice of a special assistant with a desk in the White House.[1] In another case he may act on the advice of the Director of the Bureau of the Budget, and the advice of the Budget Director may be no more than the transmission or a recommendation of someone lower down in the Budget Bureau.

5. What considerations are likely to control the President's actions? I may say that the President should be able to force ICC to alter its rail transportation policies sufficiently to make them compatible with the air transport policies of CAB, but deny that the President should have power to veto a rate order of ICC. The rate order of ICC has implications running far beyond its effect on air transport policy. If the President is given power to veto the ICC rate order, he may use that power not only to effect co-ordination of governmental programs but also to force the adoption of policies simply because he thinks they are better than those of ICC for carriers, shippers, or the nation generally. I must think twice before I agree that the President should be able to substitute his judgment for that of ICC as to what is the best rail transportation policy for the country. And I must think it over again when I figure out whose advice will enter into the President's decision.

Will the President personally listen to and weigh the complaints of those people who object to ICC's proposed order? Or will he act on the advice of a White House assistant who is mainly

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[1]"The Latin American Proceeding," prepared by Inter-University Case Program (No. 3 Thomas Circle, Washington, D. C., 1949).

The Reasons for Regulatory Discretion

"THE *statutes providing for regulation vest great amounts of discretion in the regulatory authority because Congress and the President are not sure what policies should be adopted. The administrative authority has similar uncertainty and hesitates to adopt rules and regulations. The decision of individual cases, forming a body of policy by accumulation of precedents, accordingly becomes a prime reliance for formation of regulatory policy.*"

concerned about the effect of the proposed ICC order on prospective campaign contributions or on the way farmers will vote in the next election? Will the President act on the advice of the Budget Director who in turn is relying on the advice of one of his subordinates who thinks he has done a better job than ICC did of weighing short-run and long-run effects of the proposed order on carriers, shippers, and general public?

6. What considerations are likely to triumph in regulatory policies if, as critics of the independent commission propose, the power to make those policies is turned over to the head of an administrative department? The head of the department may be expected to do a good job of co-ordinating the regulatory policies which he controls with the other policies which are made in his department. It may be that he will do a better job than the independent commission does of co-ordinating the regulatory policies which he controls with the policies that are made in other parts of the government outside of his department.

But what price will we have to pay for this superior co-ordination? Will the department head, like the White House assistant, have his ear to the ground for murmurs about campaign contributions and the way farmers, or laboring men, or men with various kinds of business interest are likely to vote in the next election? If the administrative official refuses to honor anything which you or I call a political consideration, we may still distrust his judgment because he acts on the advice of subordinate officials and does not have to argue alternative policies with other men who have status equal

to his own. If the administrative official carefully studies the merits of different alternatives, it is his own judgment which will finally triumph; he does not have to yield to the collective judgment of a number of men, as do the members of a commission which acts by majority vote.

7. How good a job do the independent commissions do in voluntarily co-ordinating their policies with the policies made in other parts of the government? We know that members of CAB think about possible effects on rail transportation when they formulate an order relating to air transportation. But do they do as much thinking as you and I think they ought to? Do officials and employees of CAB who are working on a regulatory problem consult as much as they ought to with officials and employees of ICC who can best judge the effects of a proposed CAB order on rail transportation? Does CAB ever, or usually, or always, submit its proposed order to ICC for comment before the order is adopted?

If the independent commissions are not doing what they might do to coordinate their policies with policies made in other parts of the government, is there some means by which we can induce them to increase voluntary co-ordination? Possibly we should provide by law that the head of any government agency, including other regulatory commissions, may call upon the President to hold up an intended order of an independent commission until the objecting official or commission can make clear the nature of the objections. Possibly we should supplement this procedure by the further provision that the President may review the contentions of all parties to the dispute and, if he cannot bring these parties to agreement, formulate the order which shall be issued.

8. Can the formation of regulatory policy be separated from the decision of individual cases? As noted above, the President's Committee on Administrative Management recommended that each regulatory activity be split down the middle. The formation of policy, it said, should be entrusted to an administrative organization headed by a single officer, and the decision of cases of a judicial character should be entrusted to a commission placed within the same department. By such an arrangement the committee hoped to give the President control over regulatory policy without giving him power to influence the decision of cases which by general agreement ought to be decided by a group of men possessing judicial temperament.

Whether such a separation is practicable is open to question. The statutes providing for regulation vest great amounts of discretion in the regulatory authority because Congress and the President are not sure what policies should be adopted. The administrative authority has similar uncertainty and hesitates to adopt rules and regulations. The decision of individual cases, forming a body of policy by accumulation of precedents, accordingly becomes a prime reliance for formation of regulatory policy. We can give an administrative official power to enact rules and regulations which confirm, modify, or overrule

the case-made policy of the commission.

But it may be that wise blending of the two kinds of policy, case-made and rules of general application, can be accomplished only if the same man or group of men (commission) is responsible for both.

THESE eight questions, it seems to me, lead us into the heart of the considerations that must be explored and weighed in order to reach a conclusion as to whether we are likely to be best served by keeping our regulatory activities under independent commissions as we have them now, or to be best served by adopting some other arrangement which critics of the independent commission recommend. I do not have enough knowledge about what now goes on and what is likely to happen to have a firm conviction as to what arrangement will prove most satisfactory to most people, and I doubt that anyone has enough understanding of all the relevant considerations to entitle him to be dogmatic about his conclusions. I will, however, venture the following observations as my own convictions at this time:

1. I do not believe the President can be expected to give personal attention to any regulatory problems except those which complicate matters of highest current national concern. If the policies which relate to trading in securities are said to be a main cause of inflation, the President may be able to look into the matter sufficiently to form a judgment as to whether those policies ought to be changed. If the cold war is getting hotter because a foreign nation is sore about our policies relating to radio communication, the President may find time for a personal inquiry into those policies. But I think the President can afford to give personal attention to a matter of regulation only if it is an important factor in a problem significant enough to be called a crisis.

2. If the President is given the power to approve or disapprove regulatory policies which are not of crisis significance, someone else will make up his mind for him. If his mind is made up by those who proposed the policy, there is no point to giving the President power to review the policy. If his mind is made up by a White House assistant, the decision may be controlled by considerations that I think ought not be honored in regulatory policy. If the President's mind is made up by the Bureau of the Budget, I think we may never have any way of knowing what considerations determined the decision.

3. If regulatory activities are placed in an administrative department, we may gain something in better coordination of regulatory policy with other governmental policies, but we are likely to lose other things that we value more. We may retain a commission, set up within the administrative department, to decide individual cases, but we will lose the advantages of a commission's debate and compromise in making rules and regulations.

And the administrative official who does make the rules and regulations may be moved by considerations that I believe ought to be excluded from the making of regulatory policy.

4. I think we can find means of inducing the independent commissions to undertake more voluntary co-ordination of their policies with policies made in other parts of the government. And it may be desirable to establish procedure whereby other commissions and administrative officials can hold up the orders of any commission until better co-ordination is effected.

5. We should systematically examine the authority which we have given our regulatory commissions and try to determine which of their actions are likely to create special needs for co-ordination and which of their actions are likely to produce policies unacceptable to the political branches of the government. If we can reach agreement that certain actions are likely to create special needs for co-ordination, we should give the President power to review those actions and urge changes in policy; and it may be wise to authorize the President to set aside proposed actions and require the commission to come up with a different formulation of policy. If we can reach agreement that certain actions have such significance for those who are immediately affected or for the public generally that elected officials ought to be able to veto them or require their modification, we should provide a special procedure for such review and instruction. In this case, we may decide that the President ought to be the reviewing authority in some cases and that Congress should be the reviewing authority in other cases.

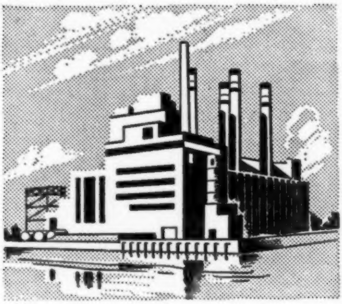
In Great Britain it is standing procedure to lay proposed administrative orders of greatest significance before the House of Commons, and such an order does not go into effect if within a specified period of time the House votes to set the order aside. It may be that we would profit from following the British example.

Being committed to these beliefs at the present moment, I cast my vote for the continuance of the independent commissions as our prime method of providing government regulation of business and industry. But I think we must not presume that we have as yet made the best arrangements we can for the formation and enforcement of regulatory policy by independent commissions. We should set ourselves upon a reconsideration of how regulatory policies can best be co-ordinated with other governmental programs and make up our minds as to whether there should be some means for the elected branches of the government to review and require modification of certain regulatory policies. And while we are doing these things, we should go forward with current efforts to improve management within the independent commission.

What we may be able to do toward the latter end is the subject of another article which is to appear in the next issue of PUBLIC UTILITIES FORTNIGHTLY.

¶ "THE *way to save the taxpayers' money is not to spend it.*"

—CHARLES SAWYER,
Secretary of Commerce.



Light the Pathway to the Future

If it were left to every individual to determine how much or how little or what kind of light were needed in his day-to-day operations, the American night scene might vary as widely as a flare lamp camp meeting contrasted with midnight at Times Square. Planned electric lighting by experts is not only an obvious necessity but the reasons behind it are more far-reaching than the nonexperts would ever suppose. Here is an analysis of the EEI Better Light Better Sight Bureau's home-lighting education program.

By H. A. STROUD*

Few industries plan for the future as consistently and as widely as ours. New generating and transmission facilities, financing programs, executive training—these are but a few of many phases of utility operations that company presidents automatically consider both as they affect the service we offer today, and the service we will offer five, ten, or fifteen years from now.

One element important to every company's future welfare, however, has so far received comparatively little consideration in our plans for continual improvement of our service. I refer to the customer who, five to ten years from now, will come on the lines. How familiar will he be with what we offer—how well prepared will he be to use our service to best advantage? These are questions well worth the time and attention of utility management, together with a third—can we take steps *now* to help assure that, before the new customer even fills out an application card, he will have at least some knowledge of how to use our service?

The largest single source of new customers in any company area consists of the children in local schools.

*For personal note, see "Pages with the Editors."

The boy bending over a microscope in junior high science, the girl learning to cook in ninth-grade homemaking — sooner than we realize, these children will work in factories or offices, manage stores, teach school, live in their own homes. Sooner than we realize, these children will be our customers.

EVERY electric company can give some attention *now* to these customers of the near future. We can help them to form correct habits in the use of our service now, while they are absorbing new knowledge every day and their minds are wide open to new ideas. For example, children can readily be taught the benefits of better light for better sight, and the ways in which proper lighting will reduce eyestrain and contribute to eye comfort and health.

Entirely proper and effective methods through which the electric industry can assist in such instruction have been made available to every company. The humanitarian benefits resulting from such instruction, in helping to make these children healthier future citizens, are alone sufficient to justify our interest and support. In addition, when these children are our adult customers, they will know better how to use lighting service, a major bulwark of our load now and in the foreseeable future.

This is a task of education, rather than sales. Informing these children of their need for better light in every activity throughout their lives can be best done through the organization in any community that is equipped, that exists, for mass education—the school system. It can be done through instruction in basic principles of light and sight while future citizens and utility customers are students in elementary and junior high schools. It can be done with educational materials that have been painstakingly and expressly prepared for this task, by experts in the field of light and sight, with the co-operation and assistance of outstanding authorities in education—materials that are welcomed by school administrators and designed for use by the teacher herself.

Not only will this instruction give today's schoolchildren practical information, that will be of definite help in conserving and protecting eyesight during their school years—it will also help to assure that a few years from now, when these children have become our customers, they will know why better light is essential in all their activities. Equally important they will know why and how poor light endangers eye health and physical welfare.

LET me emphasize that the educational materials used in such instruction must be far removed from the promotional tools employed by our sales department to build lighting load. No school administrator or principal conscious of his obligation to the children confided to his care would permit their exploitation or the use of his classrooms as advertising media by any commercial organization.

The fact is that school administrators and teachers *want* their boys and girls to know more about the relationship of light and sight, to know how the eye functions, how to con-

serve energy with proper lighting, and how best to use light for prolonged eye tasks. For many years, every element of our industry has received innumerable requests from schoolteachers for information useful in teaching about light and sight. But until comparatively recently, the only aid we could offer was in the form of advertising booklets and folders, which were not at all suited for instructional purposes and left us open to the old charge of "propaganda in the schools."

These teachers came to us for help because of a situation that is familiar to every educator. It is best known as the "lag"—the prolonged lapse of time between the invention or development of new facts by industry, and the presentation of these facts in readily available textbooks.

There are vital gaps between the latest scientific knowledge and the beliefs commonly held, between the latest applications developed by scientific research and the facts available to the classroom teacher in the usual materials of instruction.

The principles of the science of seeing were known to our industry more than twenty years ago. In too many cases, they are still entirely unfamiliar to textbook writers and publishers. Yet, if these facts are to be taught in schools as their importance warrants, they must be within reach of the teacher, in texts or other teaching aids.

THE most significant evidence I can cite to prove that educators are alert to the importance of instruction in light and sight is the fact that the National Education Association —the largest educational organization in the country, with over 465,000 members—itself took the lead in making suitable information available to the teacher.

In 1946 NEA published an 80-page manual entitled "Teaching About Light and Sight." Designed expressly for use by classroom teachers, this book supplies the background and knowledge they need to give their students practical and helpful instruction covering the functions of the eye, the use of natural and artificial light, the importance of good light for all seeing tasks, and many other important facts.

Not only does this manual, by the mere fact of its publication by NEA, and the exceedingly wide distribution it has since obtained, testify to the interest of educators in light-sight instruction—in addition, the information it contains has served as the basis for two complete teaching programs

¶ "THE *largest single source of new customers in any company area consists of the children in local schools. The boy bending over a microscope in junior high science, the girl learning to cook in ninth-grade homemaking—sooner than we realize, these children will work in factories or offices, manage stores, teach school, live in their own homes. Sooner than we realize, these children will be our customers."*

in this field, prepared by Better Light Better Sight Bureau and made available to schools by scores of electric utilities.

In preliminary planning of these programs, we were advised by officials of the National Education Association that any instructional materials which might be offered by our industry must meet these four requirements, to be acceptable to educators:

1. The information included must be accepted by authorities in the medical, educational, and industrial fields.
2. Local school officials, responsible for teaching policies and subjects included in their curricula, must have full knowledge of the project and approve the methods for its use.
3. Teaching techniques employed should be acceptable to school authorities.
4. The materials supplied must contain no propaganda or misinformation.

To ascertain the need for light-sight instructional materials, we asked a total of 146 school administrators and teachers in 26 states for their opinions on the subject. Ninety-eight per cent of those interviewed felt that such instruction was desirable. They recommended that three separate teaching programs be made available; one for the fifth and sixth grades of elementary schools, another for science classes in junior high schools, and a third for senior high school home economics classes.

The first two of these have since been produced by the bureau, the grade school activity in 1948, and the junior high school program in 1950. Plans for the home economics class project are now under way.

These programs are prepared primarily to help the classroom teacher give her pupils the basic facts about light and sight that will help them to use and protect their eyes to best advantage, during their school years and in later life; secondarily, as community relations tools for use by the electric company as a public service, and as an intelligent, long-term investment in the education of its future customers. It should be emphasized that these programs provide authoritative, technical information on light and sight only, and do not touch upon other subjects.

Both programs are expressly designed for use by the teacher, in her own classroom. The laws of many states properly forbid representatives of commercial organizations to conduct instruction in schools. Even where not expressly prohibited, the best authorities in the educational field feel strongly against this practice, and with good reason.

To assist the teacher, these programs include many of the latest types of teaching aids: film strips, charts, folders for distribution to the students, and guidebooks, with suggestions for the instructor, to guide her in the best presentation of this material.

In this respect, the bureau programs are far better adapted to the needs of the schoolteacher than is the average teaching aid made available by industry.

Many large companies and industry-wide trade organizations have seen the benefits to be gained by supplying teachers with factual information about their products,

Good Advice for the Young

"JUST *as it is accepted routine today for schools to teach students to brush their teeth twice daily, even though this instruction involves use of commercial products, so it may be that some day all schools will teach basic facts of light and sight—and with even more reason. Any school administrator will realize that teeth can be replaced satisfactorily—eyes cannot.*"

their industrial processes, contributions to national and community welfare, and other facts. Usually this aid takes the form of a booklet, very often attractively prepared and expensively printed.

Should the teacher decide that this information is worth while for her pupils, however, she still has a good deal of work to do—studying and absorbing the facts, deciding which phases should be taught and in what order, preparing a lesson plan, securing demonstration materials.

The bureau's programs have already accomplished much of this work. Lesson plans are already prepared, visual aids are at hand, suggested related class activities are listed.

Other industries, speaking generally, provide the teacher with information; we offer a finished teaching tool, requiring a minimum of her time and effort in preparation, and helping to assure effective instruction.

The presentation of our materials in this practical form is one of many results of meetings we have held with officials of the National Education Association to discuss these programs. NEA representatives, eager as they are to see schools receive and employ this useful information, have been most generous with their time and counsel. They have offered literally scores of suggestions to increase the effectiveness of our teaching programs.

NEA has permitted us to mention the assistance it has offered in the program books, which introduce these teaching projects to school authorities—a mention, I might add, that is not lightly accorded.

THE advice generously offered by NEA has been of major importance in the very wide use of these programs. More than 300,000 school-

children have so far received the benefits of this instruction, and, in hundreds of schools, these activities have been set up as a continuing, annual part of their schedules.

The response from the schools themselves has been one of the most encouraging, and surprising, results of this activity. We originally visualized that electric companies would purchase the teaching materials and make them available to schools in the area served, upon requests from teachers and school authorities. We felt that the industry would realize the benefits to be gained by supplying complete programs, expressly and expertly designed for instruction in schools, rather than whatever advertising materials happened to be on hand—excellent for their purpose, but entirely unsuited for use in schools, and exposing us to condemnation for "propaganda."

In many cases, however, the schools have preferred to buy the materials themselves, after hearing about the program from an electric company representative. Very often, a school will order the materials without any form of electric company contact whatever.

While we are happy to supply these programs direct to the schools, we feel that many electric companies are missing an excellent opportunity to perform a valuable community service, through failure to make full use of these teaching programs. We feel that these bureau programs benefit all three elements concerned—the school system, the student, and the company.

The school system adds an up-to-date item to its curriculum, the need of which has been testified to by the National Education Association. The student receives practical, helpful information, that will help him in every activity. The electric company, in addition to storing up future benefits, has the knowledge of having performed a valued public service.

How can the electric company best bring these programs to the attention of local school administrators and encourage them to use the programs fully, if, in the school authority's opinion, the materials are worth while? Many methods have been employed successfully.

The Ohio Power Company, as an example, first showed our grade-school program to the local superintendent of schools, or in the case of parochial schools, to the ecclesiastical head of the parish concerned. Following his approval, company representatives visited in turn the supervising head of each school and the teachers of the fifth and sixth grades.

Approximately 80 per cent of those interviewed wished to use the project in their classes—this although their regular programs of instruction were already well filled with useful study material. In the first year that this program was available, 24,000 elementary schoolchildren in 579 schools in the area served by the company received this instruction.

The grade-school program is now a continuing, year-after-year part of the instruction offered in hundreds of schools in the Ohio Power Company's service area. It is estimated that 68,000 children have received this instruction, in the three years that this program has been available.

In Centre county, Pennsylvania, the West Penn Power Company's sponsorship of the elementary school program met with an enthusiastic reception—one worthy of particular notice, to illustrate the willing co-operation which these educators extended to the company.

First, the program was explained to the county superintendent, receiving his entire approval. With his permission, an electric company representative appeared at meetings of the Centre County Principals Association and the Annual School Directors Convention, explaining the program. Through area meetings, personnel of the county office demonstrated the materials to all county teachers. Then, a list of interested teachers, principals, and administrators was prepared and electric company personnel called upon them to discuss the program.

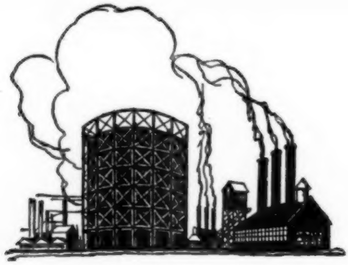
What were the results? One-third of all school districts ordered the program immediately; an additional 10 per cent did so before the end of the school year, and 63 per cent of all Centre county pupils now have the benefits of this instruction. Incidentally, in this area, the schools preferred to buy the teaching aids with their own funds.

These examples are just two of hundreds that could be cited to illustrate first the fact that the value of these teaching programs, in almost every case, is readily apparent to school personnel; that, once the chief school authority in the area is shown the program, and convinced of its entirely noncommercial character, he is glad to give his pupils the value of this instruction. Schools are eager for technical, up-to-date information of the type offered in these bureau teaching projects, especially when this supplementary instruction covers a subject as important as sight protection, and incorporates the latest scientific facts developed by our industry's lighting laboratories.

Both business and education attempt to raise the standard of living. Both partners in the pursuit of this goal have much to gain from the other. The first essential is for each to realize that the relationship is one of responsibility, not one of opportunity to "use" the other.

The electric company that presents these bureau programs to local schools and asks school authorities to consider the programs, solely upon their own merit, can do so in complete confidence and with the highest motives of community service. The company cannot be criticized for misuse of school time, or for "propaganda," or for attempting to build load. These programs can be employed regardless of the power supply situation in any area; they could be used in the midst of an all-out war. The valuable information they impart is worth inclusion in any school curriculum as a regular part of the year's instruction.

Just as it is accepted routine today for schools to teach students to brush their teeth twice daily, even though this instruction involves use of commercial products, so it may be that some day all schools will teach basic facts of light and sight—and with even more reason. Any school administrator will realize that teeth can be replaced satisfactorily—eyes cannot.



I Work for a Public Utility

Here is a day in the life of a typical public utility employee. How did he ever get started that way? How does he like it now that he has started? What does he expect to get out of it? Is he satisfied that he is making progress towards his objective?

By HENRY F. UNGER*

I LIKE to feel that I am a typical public utility employee. I have an attractive, hard-working wife along with two swell children, twenty-one months and three months of age. We live in our own average-sized home and in general we are not angry with the world. Fact is, I believe that my job has a lot to do with this happiness. I do not think I shall ever regret joining up with this gas utility.

I was only twenty-two years of age in 1948 when someone suggested that I visit the employment office of a large city gas utility. I wasn't satisfied with the job I had then, and so I checked with the employment manager. His interrogation suggested to me that the utility was seeking people with character and those eager to get ahead. I had no experience in this work, but apparently the employment manager saw something in me. He took me on with a probationary condition.

When I had a chance to apply for a certain type of work in the utility, I quickly chose customer service work. Three reasons cropped up in my head for this choice. I like to meet people. The work was outside. There was no digging involved, as in other departments.

In a way the trial period through which I was processed was a good thing. It was a mutual chance for the company to watch me in operation and decide on me and for me to decide on the company. I did and the company did.

NOW that I handle the utility's orders without difficulty, I look back with satisfaction on those train-

*For personal note, see "Pages with the Editors."

ing days. There was a basic training course during which the rules of the utility were read and the benefits explained. How to write up orders was outlined. Water-heater repair was explained along with the matter of adjusting ranges and calibrating ovens. The techniques of operation were all interesting. I liked best of all furnace repair.

As I make the rounds today among the utility's customers those rules remain with me. I am, for instance, careful what I do when I inspect a furnace so as to keep safety first.

After an 8-week intensive course, I became a regular. I was able to hook up with other regulars in their rounds. Not to brag, I was able in one year to do the work which many others have taken five years to learn. It was simply a matter of applying oneself in the school sessions which are held infrequently but which are 8-hour a day, 5-day-a-week affairs, with a written test at the end of each day.

I quickly learned as a representative of the Customer Service Department the principle that the customer is always right. In a hurry I learned that a good public relations program from the serviceman on up makes for a thriving utility. Our department was the only one to go into the home. I found too that my reports had a ring of authority. Once I wrote out a report on a home, factory, or institution, it could not be changed by the supervisor. I was the only one who could change this report. I also would be held responsible for any faulty misjudgment. I liked that and still do.

For the first nine months of regular duty I was assigned to a company truck. This meant that I must call into the main office three times a day and report on my activities. When I proved my true qualities, I got the prized radio truck, a 3,800-pound job, completely equipped to handle any type of emergency. There were gauges, meters, and even firebricks.

I operate on a 40-hour, 5-day week and begin work at 8 AM. If I handle a radio truck, I return to the main office shop at 4 PM, arrange my reports for the day, and then quit at 4.30. As soon as I enter the shop in the morning, I check my truck, which incidentally is No. 4. All equipment which was used the previous day must have been replaced by the night crew. I pick up five normal jobs and then move out to the first and closest task. All normal work goes out the window in my radio truck when emergencies are called in to me.

My biggest work load comes from people who imagine that they smell escaping gas. The girl operators at the main office contact me about the emergency. I mark down the house number and hurry over. It may mean a complete cross-city run, but it must be done. We specialize in good service and that is my job and, honestly, I love it.

Of course, it has its grim side, occasionally. I had such a rush job recently when I was ordered to hurry to a downtown cheap hotel. A man had been asphyxiated in one of the rooms. I rushed past a distraught hotel manager and found the man dead. Quickly I checked the reason. I noted also that this hotel had had trouble previously along the same lines. I noticed that two space heat-

ers had been connected to a single 3-inch flue pipe. The whole thing was overloaded and the fumes were forced into the room. The baffles had fallen into the heat exchanger. I tore down the flue, injected a mirror to look for some sky. Often birds and loose bricks fall into a chimney and cause gas poisoning. More gas men had to be called and then I had a big task before me. The entire hotel had to be cut off from the gas supply until the system had been thoroughly overhauled. Numerous meters had to be closed down and all outlets shut off, which always is a big job.

THERE is rarely a dull moment in my daily workday. The other day a man had turned on all the gas jets in his apartment. He then lighted a candle and blew out the side of the apartment, endangering the lives of other people. He was a suicide and I had to rush over and test all the lines in the apartment building, shut off the gas in the street, turn off the pilots throughout the building, and yet restore service as fast as possible to the tenants.

Because of my job, I get to meet all types of people. They may be in the slums of the city or in the fancy apartments of the city. There are also many delicate problems. I recall one lady who almost caused me some days' loss of pay. I tested the lines in her apartment house. I found some of them leaking and recommended a plumber, not however suggesting any specific plumber, which is against our policy. Apparently, the plumber repaired the leaks and returned for a check and found other leaks. Again a plumber was called in. Then another trouble shooter was sent to check the leaks. A final approval was placed on the job. However, about two months later, the lady caused trouble. The supervisor called me in and told me that I had suggested a certain plumber and the complaint was that he in turn had charged her exorbitant rates. Finally, faced with a penalty of several days off without pay, I went with the supervisor to the lady's house, where everything was straightened out.

Working with a utility service which is so important to citizens, I realize how upset people can become when it is turned off because of faulty equipment. Generally, they will listen when I explain that the gas is turned off temporarily to protect them. One woman who had broken the seal I had placed on her meter did not think that I was concerned with her welfare. She met me at the door with a shotgun. Other more powerfully equipped members of the utility had to return later to deal with the woman.

WHEN the cool weather arrives, I keep my radio truck rolling al-

> "WORKING *with a utility service which is so important to citizens, I realize how upset people can become when it is turned off because of faulty equipment. Generally, they will listen when I explain that the gas is turned off temporarily to protect them."*

most constantly. A major problem is the furnace. Before the furnace is turned on, the owner must apply for a permit. Since I like to have my home warm, I know that often hundreds of house owners rely upon my speedy service. If I find the furnace meets the regular tests, I leave a white tag on the furnace. A yellow tag indicates that something is wrong with the furnace but the fault isn't too dangerous. A red tag shows the owner that the furnace is dangerous. I have to disconnect the furnace when the red tag is displayed. Careless or foolish furnace owners, who see the red tag and still use the furnace, jeopardize their lives. When I find that such an owner has again connected the faulty furnace, I simply shut off the gas and put back the wire seal.

Despite loud shoutings, a small factory owner recently saw me turn off his gas because of leaking house lines. The man broke the seal on the meter and used the gas. I made another report and he was liable to a big deposit. Some people think that I am an ogre when I am only performing my duty. I have come to think, however, that these occasional demands on my tactfulness and patience help me in my family life and enable me to build my own character to stand up when things might not go just right.

There are numerous cases in this field of work when downright good Christian charity can also be called into play. For instance, recently I was sent to an old widower's home. The poor man's home was cold and I had to test the lines. I found them faulty. It meant that the widower would need the services of an expensive plumber. I could see that he probably didn't have what was needed—money. So I worked fast and made the minor repairs and then approved the system. The company bosses were willing, unofficially, of course, that if I didn't use too much time, and the repair job was within my scope of operation, I could proceed to repair it. It proves that the utility has a heart.

When frequently I discuss my job with my wife, we realize the benefits involved. I started, it is true, at a salary of $204 but I have made satisfactory progress and within five years I can hit the peak. Then I go on a merit basis, which should be easy for me since I like to work hard and take my job seriously. I don't honestly think I could find a better class of supervisors anywhere than those connected with my department. They know that I can handle my job and so they leave me alone. Then, too, they are never slow in giving me proper recognition when it is deserved. When I recently helped out an old woman with her furnace and then passed it, she sent the president of the utility a glowing letter. My back was pounded by my superiors with a "well-done" thump. That made me glad to work for such an outfit, which recognizes work beyond the actual call of duty.

I don't mind the union dues of $1 a month because of the benefits which accrue. There is an insurance of $1,000 given free to the employees and I found that the hospitalization plan was tops. It paid for the birth expenses of my two children. Then, too, a fair sick plan relieves me of worry when I should get sick. I recall when I accidentally fell through some

Security of a Public Utility Job

"I DON'T think I will ever want to change my job to another field. The gas utility has brought security into my small family. It brings me 40 per cent discounts on appliances, and it has produced a certain feeling of well-being for me. It is a huge outfit and yet, as I mentioned, a big, warm heart seems to beat within it."

rotten steps in a home and sprained my ankle. The union president himself took me to the doctor and there was no loss of pay.

Since I am the type who feels that "all work and no play makes Jack a dull boy," I relish the social program of the utility. It means dances, bowling parties, basketball games, and other entertainments. On my salary, I can afford a baby sitter and my wife and I take in these activities and they give life added flavor. The social events of the utility make me feel that I am working for one big family and that, in addition to this fun, I feel I have a future before me, as well as employment protection for my family.

WITH all the other benefits, I can't overlook the clothing benefit. After I had become a 2-year regular, the utility furnished me with a complete uniform. This included four shirts, two black shirts, two summer pants, two winter pants, one Eisenhower summer jacket, one reefer, one winter hat, one summer hat, and ties. The uniforms are a dark green gabardine material. My wife has to wash the shirts. But the company takes care of the other clothing, so I have freshly cleaned and pressed pants each week. They also repair the clothing. Naturally, my tools are furnished me without charge by the utility.

SINCE my job entails considerable responsibility, I make certain that each item is double checked on my report. Then, too, the utility has impressed us with an *esprit de corps* and I like it. I've tried in my tasks to impress the customer with the idea that the gas

utility business involves considerable know-how which is brought into play each day.

Types of customers and jobs are different. In fact, each one is different and each one affords a challenge. Once I pick up my telephone receiver and send in the message, "East Side 4 completed—going to . . . " I may have a new adventure unfolding before me at the next job.

My radio truck gives me the feeling of always being on top of a needed repair job. I recall one day when I was told to hurry to a home. Fortunately, I was already in the neighborhood when the call was received. In five minutes I was at the person's home. The owners gaped at my sudden appearance.

ALTHOUGH I handle the radio truck, I must naturally handle routine matters constantly. So that one trouble shooter doesn't have to visit the slum areas constantly, my areas are shifted and rotated. I have found conditions in some areas bad enough to turn one's stomach. And yet people lived there. Pipelines were in serious condition and only my check up prevented an explosion. Generally only the approach of the winter months and the subsequent closing of windows and doors provokes the shout of "Gas!" When between 5,000 and 10,000 customers want you to start their furnaces at one time, the situation becomes slightly confused. However, I have faced that problem each year that I have worked with the utility. The utility finds it inexpedient to hire more men throughout the year because of the slower summer months. The only solution is overtime work, which of course brings me extra pay. Often I will come up with thirty hours' overtime pay for a month or less.

So that there is a fair distribution of night work, every man in my department works eight weeks of the year on the four to midnight shift. This is a very busy time, particularly during winter months when men return home from work and find their furnaces not operating.

Occasionally, I have the customer who will call in many times, complaining about the presence of escaping gas. I will check the home once or twice and then the utility gets sharp with her. Often, the trouble stems from the woman living in a neighborhood where sewer gas is seeping into the mains. This happened not so long ago when a big chemical company dumped its refuse into the sewers. I was almost driven crazy moving from house to house by people who were certain that poison gas lurked therein.

With about sixty men in my department, I can pick up an extra day if I should have to work on a holiday. Then, too, I can get my two weeks' vacation. I have, through overtime and saving, been able to buy a lower-priced car. This enables the family and myself to take the vacation and forget our problems for awhile.

WINTER months prove the most difficult for me. Since I must cover the entire city, this problem is magnified in a big snow. Biggest headache is to find the curb box locaters, called "bugs" in the winter months. They must be found in order to shut off the gas and usually they are hidden in the hard-frozen ground, which means considerable snow shoveling.

I will never forget my work during the big snow of last year. I happened to be on the 4-to-12 shift. I never realized as I went on that shift that the true public service of a utility would come to the fore as it did that night and I was proud to be a part of it.

I was returning to the shop through the hard-falling snow. Over the 2-way telephone came the message, asking me if I would work a little longer since many people needed help with their furnaces. I continued on with the jobs until I noticed that it was 3 AM. I was plenty weary, but the main office asked for "just a few more jobs." By 4 AM I was driving along with a helper about 50 feet from the lake, blinded by the furious snowstorm. A woman was freezing in her home near by, unable to start her furnace.

There were no chains on my truck and I was, for all practical purposes, lost. I asked the main office to guide me toward the woman's house. Through a 3-way conversation, I was able to drive toward the house. Suddenly as I started toward the house on which a porch light was glowing, I noticed that I was riding over some humps and then I realized that I was driving over the neighbors' lawns. The swirling snow had practically obscured everything. My helper and I struggled into the house and in twenty minutes had the furnace going.

REALIZING that we could never return along the ordinary route, and warned by the telephone that we should take another road, I plowed the truck through drifts which often reached the handle of the truck door. Streetcars on all sides were stalled but I continued to move along, evading the higher drifts as much as possible. Finally I reached my office. It took fifteen minutes to walk from the driveway into the office.

At the office, I found that many other trouble shooters were marooned. Scores of harried home owners were calling in, asking for help with their furnaces. Personal help was impossible but scores of home owners were able to start up their furnaces through explanations over the telephone. However, I must say that no more difficult task confronted me than explaining the operation of a furnace to a home owner. To top off the snowstorm, one of the men had a heart attack and I managed with three other trouble shooters to carry him to a hospital near by, despite the blizzard proportions of the storm.

People are often worried about the gas pressure in their homes. I always test the gas pressure of ten ounces for ten minutes. The normal gas pressure in a home is six ounces. This explained to the home owners brings a sigh of relief.

NATURALLY I prefer to handle jobs in homes. Factories are often a headache for I must spend a half-hour tracking down someone who might know what the problem might be.

I don't think I will ever want to change my job to another field. The gas utility has brought security into my small family. It brings me 40 per cent discounts on appliances, and it has produced a certain feeling of well-being for me. It is a huge outfit and yet, as I mentioned, a big, warm heart seems to beat within it.

Washington and the Utilities

Public Power Budget

PRESIDENT Truman told Congress that he had cut his nonmilitary spending to the bone but there may be quite a few questions about some of the new or expanded power projects which show up quite conspicuously in the light of the $14 billion deficit impending. Of course, the President explains much of this in terms of military needs. He said:

> Natural resources are strategic assets in our effort to build the military strength necessary to discourage aggressors. But we must look beyond the short term and provide for continued expansion of our economy. This requires an adequate supply of basic resources—minerals, fuels, water, power, agricultural and forest products. Such a supply can no longer be taken for granted. If we are to continue to strengthen our nation, we must improve our use and conservation of existing resources and increase our efforts to find and develop new ones.
>
> My 1953 budget recommendations represent a balance approach to both the national emergency needs and the long-term objectives. They continue our policy of postponing many desirable long-range projects in order to place greater emphasis on meeting current defense requirements. But they provide for those long-range developments which cannot be postponed without serious harm to our economy.

Turning to specific projects, the President pointed out that out of $735,000,000 of expenditures for projects under way by the Engineers Corps and Bureau of Reclamation, over 50 per cent, or $390,000,000, will be spent for multipurpose projects providing power benefits. He named four new developments which are recommended for initiation in the fiscal year of 1953. These are the St. Lawrence projects ($20,000,000), Ice Harbor dam ($5,000,000), Hell's Canyon dam ($4,750,000), and the Niagara project ($1,000,000 for preliminary surveys). All of these project funds would be appropriated in *anticipation of* legislation from Congress, authorizing actual Federal development. That is assuming quite a lot, inasmuch as Congress has so far boggled on authorizing any of these projects.

EVIDENTLY President Truman feels that it is now or never for St. Lawrence, in view of Canada's apparent determination to go it alone. On this point the President said (see, also, page 256):

> If there has ever been a water resource project with great strategic benefits, it is the St. Lawrence development. The large hydroelectric power potential alone offers ample justification for undertaking this project without further delay. But the emerging iron ore problem makes it a strategic necessity. Beyond one end of the waterway are the large steel-producing centers and the declining high-grade iron ore deposits of the United States. Beyond the other end are the large new discoveries of high-grade ore in Canada. In view of the importance of this project, the government of Canada has recently announced that it is prepared to proceed independently with its construction, rather than wait indefinitely for United States participation. I have

already indicated my intention to support such action by Canada, if that is the only way to obtain immediate construction of this project. However, if Canada built the waterway, she would, of course, control its operation. I feel strongly that our nation's interest in the development of this resource on the basis which I have recommended is so vital that we should join as a full partner in its construction and operation.

The budget does not give details or breakdown in figures on some of the more controversial items. Compared with the budget for the current fiscal year 1952, the Bureau of Reclamation would take a cut of nearly $10,000,000, leaving an estimated total of $224,620,000. The Bonneville Power Administration will remain about the same ($67,696,000,-400). This is a renewal of requests for funds to build the controversial tie line between Central valley, California, and the Bonneville Power Administration, which was rejected and criticized by Congress last session. Southeastern Power Administration would jump from less than a half-million to $6,350,000 to cover specified new construction, with a special allowance of a half-million for "purchase of power and rental of facilities."

SOUTHWESTERN POWER ADMINISTRATION would jump from $3,375,000 to $4,150,000—also with provisions to finance the leasing and purchase of Rural Electrification Administration "super co-op" power facilities. For New England, the budget requested $50,000 for a preliminary power study (by Interior) as compared with a $35,000 request eliminated by Congress last year. The REA would get $50,000,000 for rural electrification and $25,000,000 for rural telephone loans (compared with $100,000,-000 and $9,000,000, respectively, during the current year) plus contingent authority of $50,000,000 and $25,000,000, respectively, if needed.

The Tennessee Valley Authority is down for a total budget request of $200,-000,000. But President Truman, in explaining this in terms of additional steam installations, stated:

> I also recommend $63,000,000 to begin installation of 11 additional steam-electric and hydroelectric generation units in the power system of the Tennessee Valley Authority. The additions are needed not only to meet the steady growth in the power needs of the area but also for the large increase in the requirements for the atomic energy facilities in this area.
>
> These new projects and units will provide ultimate capacity of 3,500,000 kilowatts. This capacity, together with the 8,300,000 kilowatts presently installed in Federal projects and the 10,300,000 kilowatts to be installed ultimately in projects under way, will make a substantial addition to our power supply.

EVIDENTLY the old New Deal subterfuge of "incidental power" in connection with faked primary government interest in other functions is now being dropped entirely. It is to be noted that little attempt is now being made to relate public power projects to flood control, irrigation, etc., or to specific defense projects. President Truman urged the power program mainly on the basis of general national defense needs. In this connection Representative Gore (Democrat, Tennessee), chairman of the House Independent Offices Subcommittee, stated last month that "The high quality power potential of the Tennessee river is virtually exploited." This was by way of explaining the increasing proportion of steam-generating plant facilities for which TVA funds are asked. This means that TVA, with half its capacity already committed to steam-generating facilities, is now openly and primarily engaged in the business of electric power production.

There were two other noteworthy features of the budget message: (1) the request for repeal of the so-called Keating amendment, which restricts the use of Interior Department funds to build lines in areas covered by power wheeling service contracts with private power

companies; (2) President Truman revealed a plan which would require additional congressional approval before work could continue on any authorized power project where the total cost had increased by more than 10 per cent above the last estimate approved by Congress (allowing for changes in general construction cost prices).

Minimum Gas Prices

EXAMINER Samuel W. Jensch has decided that an interstate pipeline company cannot be allowed the minimum field price of natural gas fixed by state law as the cost of gas supply for rate-making purposes. This ruling was made in a very long opinion in the case of the Northern Natural Gas Company, which had tried to submit evidence of state minimum field prices from its Hugoton field in Kansas.

It will be recalled that in an Oklahoma case late in 1950, the U. S. Supreme Court examined the right of any state to impose a minimum wellhead price for *conservation* purposes. But the Court opinion went on to note that there was no Federal question involved, thereby implying a possible distinction between cost standards for purposes of Federal regulation of interstate rates, and price standards for purposes of state conservation of natural resources.

When Northern Natural Gas Company first attempted to use the statutory minimum field prices as evidence, objection was made but the Federal Power Commission had always limited its previous consideration of cost evidence to actual production cost. The commission as a whole blocked the procedural impasse, at this point, by ordering Jensch to accept the minimum wellhead evidence on its own merits. This, of course, did not exclude consideration of actual cost or other evidence.

What the actual production cost of gas was to the pipeline company seems to be debatable. But, in any event, it was a great deal less than the statutory minimum of 8 cents a thousand cubic feet.

In rejecting the company's claim of nearly $2,000,000 which is added to the cost of gas, Jensch interpreted the U. S. Supreme Court ruling as permitting the use of the actual cost factor. As a result, the FPC examiner did allow the company a 15.94 per cent over-all rate increase, which represented about one-third of the amount asked for. He also directed the company to refund to its customers the difference between the approximate 16 per cent allowed and the amount charged its customers since the increases went into effect under bond (plus 6 per cent interest).

A Power Czar?

THE electric industry is watching closely the reaction of the Office of Defense Mobilization Director Charles E. Wilson to the recent report of the joint congressional "watchdog" committee, headed by Chairman Maybank (Democrat, South Carolina). The main feature of this report was the recommendation that the Office of Defense Mobilization set up a new Office of Electric Power to cut the red tape and break the bottlenecks which threaten to interfere with an adequate national power supply.

Chairman Maybank's committee also recommended definite steps to stretch the national power supply during the immediate years ahead: (1) an all-year mandatory daylight saving plan, which was believed preferable and more economical than "brownouts" or cutbacks of service to industrial consumers; (2) wider and freer use of interconnection of electric systems, without the complications of Federal Power Commission jurisdiction coming into the picture for intrastate utilities; (3) no immediate diversion of materials for new power projects which cannot contribute to the national power supply within the next few years; but congressional consideration of long-range authorizations, such as the St. Lawrence project, was urged. On this last point, the congressional committee seems to be trying to reconcile conflicting views.

Exchange Calls And Gossip

IBEW-CWA Conflict Brewing?

THE telephone industry seems destined to be the battleground for a struggle between two labor titans—the International Brotherhood of Electrical Workers (AFL) and the Communications Workers of America (CIO). During the past fortnight the IBEW made the formal declaration of war.

President Daniel W. Tracy of the IBEW made the announcement recently when he said that his union would launch a nation-wide campaign to organize telephone workers as a result of requests from thousands of telephone workers. The aim, he said, would be to assure "well-paid employees with a forceful voice in the determination of their working conditions, terms of employment, welfare and retirement, and steady advancement." He added:

> The workers have the right to the best possible representation. They deserve the stability and assurance that comes with membership in an experienced trade union.

Tracy then took direct issue with the CWA when he said that among the many who have asked the brotherhood to enter the picture are thousands now badly represented by "independent" unions and by the CIO Communications Workers, an organization which has "provoked unnecessary strikes and threats of strikes, and kept telephone workers in constant turmoil."

Actually IBEW was the pioneer union in the telephone field but now counts only a relatively small number of its members as telephone workers. About 40,000 of the nearly half-million electrical workers are in the telephone field at this time and then only about 24,000 of these work for the Bell system. Contrast this with the claimed 314,000 Communications Workers in the Bell system and at first glance it may appear that a David and Goliath contest has been scheduled.

AS far as the record goes, CWA has been coming off "first best" in recent elections. In fact in seven elections between the two unions since 1949 (two of them independents) CWA has emerged victor. And "a confident, cocky air" best describes the CWA reaction to the latest IBEW move.

In a letter which went out to all CWA presidents shortly after Tracy's announcement, CWA Vice President Crull called attention to the IBEW "nation-wide drive" and commented:

> There was a time when such an announcement would have given us some concern; today it doesn't bother us at all. This letter is just being sent to you for general information.

The letter went on to say that in CWA's opinion, the IBEW announcement came as a result of CWA's petition at the Kearney, New Jersey, plant of Western Electric where IBEW now is the official union representative. In fact, the Kearney plant with 12,000 workers is the largest IBEW stronghold in the Bell system. The letter also claimed that CWA has a better than even chance of winning at Kearney.

The CWA letter then recounts the seven election victories of CWA over IBEW since 1947 and ends:

> From this you can readily understand why we all feel so confident. We are confident of a clear-cut victory in

Kearney; we're confident of other victories in the future.

Wherein does "David's" strength lie in view of the above? Possibly in the fact that outside of the telephone field IBEW is somewhat of a giant among the old-line trade unions. One notes an undertone in the Tracy declaration that up until now, CWA has not felt the full might of the IBEW. Perhaps, the IBEW has been too complacent and too busy with its affairs in other industrial and utility fields in which its paramount interest is assured.

In fact, President Tracy stated:

> This is the first real joint campaign we have put on in the industry. The organizing will be from the rank and file upwards, not from the top down. It has already gained great momentum and will continue until the objective is attained.

THE campaign has been placed under the direction of M. F. Darling, president of a large IBEW local in Chicago, who also has authority to set up regional and state organizations. President William Green of the AFL announced official endorsement of the campaign and said that 800 city central labor bodies would assist.

The results will be interesting to watch, not only from the standpoint of their effect on the telephone industry, but also in relation to the current and persistent talk that the CIO and the AFL should join hands in a united labor movement.

Long Lines Rate Increase Request

THE downward trend in Long Lines toll rates which has continued now for a number of years may be soon reversed, according to an announcement by the Federal Communications Commission. The trend is additionally significant in that it follows the series of events between the commission and the Bell system during the past year which started with a show-cause order on the part of the commission to determine why Bell should not lower its rates and ended with an agreement among the commission, the Bell system, and the state commissions to transfer certain intrastate costs to the Long Lines Department in order to reduce the burden on the intrastate operating companies.

The effect of this recent announcement, if necessary proceedings cause the commission to support the Bell position, would be a net increase of $14,000,000 per year in system revenues. The FCC said that system companies will soon file revised tariffs calling for rate increases on calls over distances of 30 miles or less but with some reductions on calls over 1,000 miles. The rates on calls between 30 and 1,000 miles will apparently remain unchanged.

The FCC has recently agreed to classify the Rochester (New York) Telephone Corporation as an independent company not affiliated with the Bell system. Fifteen years ago the company was classified as a Bell affiliate because of substantial stock ownership by the New York Telephone Company, a subsidiary of the American Telephone and Telegraph Company. The commission's order at that time was sustained by a decision of the U. S. Supreme Court (1939) 28 PUR NS 78. Since that time, the New York Telephone Company has disposed of sufficient holdings in the Rochester company so that the FCC has decided to revise its previous classification.

More about Copper

THE second-quarter allocation figures have been published for the Controlled Materials Plan and the copper outlook remains as black, if not blacker than ever. Copper has become the number one supply headache of the defense planners in Washington and, actually, no one seems to have the answer. Furthermore, the military demands for the rare metal mount, and there is no indication that the military can be counted on leveling off in its demands at any time in the near future.

The second-quarter copper allocation

to the communications industry represents about a 9 per cent cut in the first-quarter allocation, and the demands of the military will take about 30 per cent of the allocation. An announcement by the Bell system, reported in these columns recently (to the effect that an extensive research program involving aluminum substitution in cable manufacture would be undertaken), has created a mild flurry of hope in the breasts of defense officials.

Telephone defense officials are cautious, however, in predicting any great things for the undertaking, and currently operate with the fear that policy level officials in the defense mobilization program may possibly be pinning too much significance to the experiment.

Actually, any tangible results from the experimental program are not anticipated before nine months to a year. And then, if the idea proves feasible, there would be the necessary lag in getting industry into production on substantial supplies of the aluminum cable.

REA Telephone Loan Appropriations

THE President's budget was made public during the last few weeks and in his message he referred to the copper and aluminum shortages as necessitating cutbacks in future loan allocations since such allocations would entail eventual commitments of these scarce materials. A breakdown of the telephone loan funds expended and available until June of this year, plus the President's recommendations, follows:

Appropriated through 1952...	$66,500,000
Obligated so far (Jan. 1, 1952).	54,000,000
Balance for loans until July 1, 1952	$12,500,000
Budget for loans, July 1, 1952, to July 1, 1953	25,000,000
Total for next 18 months	$37,500,000

The REA telephone loan program also has a call on $25,000,000 if it so certifies to the Treasury that there is need for it. Should this amount not be used, it would automatically be canceled as of July 1, 1952.

Illinois Commission Cuts Return Rate

THE temporary advantages of a high debt ratio and the limitations of earnings to the virtual cost of capital were two of the featured points in a long opinion recently issued by the Illinois commission, rejecting a petition of the Illinois Bell Telephone Company for a rate increase of approximately $22,800,000.

The state commission found that the average cost of Bell system capital had dropped from 6.17 per cent in 1935 to 4.83 per cent at the beginning of 1951. This would require proportionate intrastate earnings from Illinois Bell system of only $22,017,000 as compared with $23,000,000 return earned on present rates (5.2 per cent on property cost).

Telephone company witnesses objected that Bell system debt ratio of approximately 50 per cent is too high and should be reduced to about one-third of the capital structure to assure future financial safety. (If this were done the system companies would require more earnings to meet the higher dividends on stock as compared with both interest and the loss of tax deductions.) But the commission's expert witness insisted that company subscribers are entitled to economies accruing from the present higher debt capital.

The commission agreed that "economy in capitalization was as much an obligation of a public utility as economy in operation." The commission pointed out that the cost of capital to the Bell system is "much lower on the debt portion than on the common stock portion." Objection was raised to the limitation of return to the cost of capital, in view of outstanding or prospective debentures being converted to stock. But the commission said it must base its conclusions "on the actual capitalization as of this time and is not relying in this case on any theoretical capitalization urged to be more desirable."

Financial News and Comment

By OWEN ELY

The Morehouse Report on Power Capacity

THE report of the Electric Power Advisory Committee (E. W. Morehouse, chairman) to Chairman Manly Fleischmann of DEPA, dated December 31, 1951, recently became available in preliminary form. In view of its importance in connection with the construction and financing programs of the electric utilities, and in connection with recent reviews of the subject in this department, it is summarized as follows:

The 30,000,000 kilowatt new capacity now planned by the utilities during 1952-54 is "not in the aggregate excessive," the committee concludes, and may be too small. Manufacturers of generating equipment are still virtually booked to capacity during 1952-53, but the program for 1954 can be increased if prompt action is taken, and perhaps some changes can be made in the schedule for 1953.

Even if the program is carried out as now planned, the regional picture may become unbalanced. There is a tendency for large defense loads to gravitate to the section between the Great Lakes and the Gulf, whereas in the Northeast and the lower Pacific coast the prospect is for an increasing surplus of capacity. In order to correct this maldistribution, regional interconnection should be improved, and efforts should be made to steer new defense loads into areas where power will be most available, even though the sites may be less advantageous with respect to other factors. Adequate priorities of materials, etc., should be given to manufacturers to complete their program, but with a reappraisal of individual orders for the latter half of 1953 and the year 1954 to determine which items are most needed from the viewpoint of regional trends.

IN formulating its conclusions, the committee used data compiled by DEPA which in turn were based on forecasts made by individual systems (consolidated on a regional basis, then combined for the entire country). However, the recent DEPA surveys were refined somewhat through re-examination of individual peak-load estimates, at regional meetings. Some twenty or more meetings with utility representatives were held, lasting one or two days and followed by numerous review sessions at Washington.

DEPARTMENT INDEX

DEPA's previous estimates of December peak loads were as follows:

1952	77.8 Million KW
1953	85.2
1954	90.8

These estimates for 1953-54 seemed too low to the committee, because in its opinion the utilities had probably given too much weight to the anticipated effects of future restrictions on the manufacture of appliances and on construction of new housing. Experience during World War II showed continued substantial gains in residential and commercial use, despite stringent restrictions. Also, the estimates did not make enough allowance for the proposed expansion of the Atomic Energy Commission's program, the increase in facilities to produce aluminum, titanium, etc., and other expansion needed to support an enlarged aircraft program, plus other industrial requirements not yet clearly envisaged.

Presently scheduled capabilities of new installations are:

1952	9.5 Million KW
1953	12.2
1954	8.4
Total	30.1 Million KW

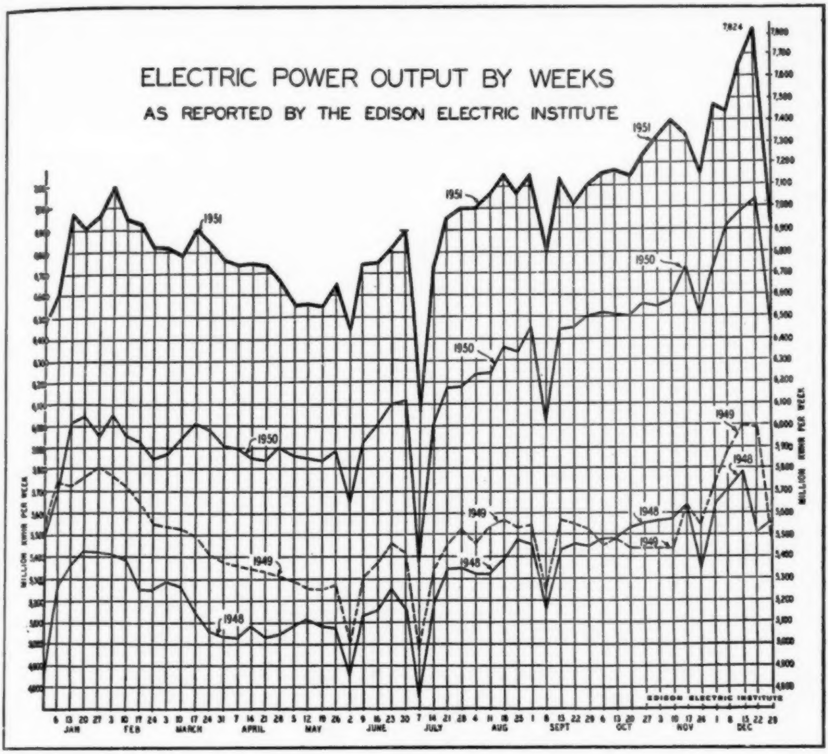
These estimates do not allow for "slippages" in construction schedules, which seem almost unavoidable. However, even assuming that the schedules could be met, the gross margin of capacity at the December, 1952, peak would be 6,700,000 kilowatts or 8½ per cent, which might mean a deficit of a million kilowatts if water conditions were below normal. (The committee considered DEPA's policy of using median water conditions as somewhat too optimistic.) The committee therefore favors increasing the 1953 load estimate by 2,000,000 kilowatts and the 1954 estimate by 4-5,000,000.

THE report states "Some perspective on what lies ahead in 1952 can be drawn from the fact that the total margin of reserves in prospect for all purposes is not much higher than the reserves which were in fact available in 1947 and 1948. The inadequacy of the margins in those years is evidenced by the substantial load curtailment measures which were then necessary in many parts of the country not only during the peak months but in other months as well. . . . A further perspective on the 1952 situation may be drawn from consideration of the supply that was actually planned and made available with high priorities during the critical years of World War II: The national reserve margins, as planned in 1942 for the years 1943 and 1944, were, respectively, 18.7 per cent and 14.3 per cent."

In 1953 total capacity with median water conditions (assuming the 1952 and 1953 expansion programs are fully realized) would be 96,600,000 kilowatts, while the peak load would be 87,200,000 kilowatts (including the committee's extra 2,000,000 kilowatts); thus with a slippage of as much as 2,000,000 kilowatts out of the 12,200,000 kilowatts on order for 1953, the situation would be just as bad as in 1952. Moreover, the 1953 picture might be unbalanced by the tendency to locate large defense loads in the region between the Great Lakes and Gulf (regions II-V). While this area is well interconnected internally, it would apparently be unable to benefit by probable surpluses in regions I, VI, and VIII (the Northeast, West-North-Central, and Pacific-Southwest regions). In 1954 the situation will be somewhat improved (allowing for the committee's extra 4-5,000,000 kilowatts in peak load) but again the regional picture will be unsatisfactory, according to the committee's view.

The committee admits that little can be done to improve the outlook for 1952-53 but that with respect to 1954 "there is time enough to bring about major changes in the timing and the geographic location of new capacity so as to achieve substantial balance in power supply and requirements regionally and locally, as well as nationally."

WITH regard to the relative importance of providing adequate power for the defense program, the com-



mittee has derived an interesting statistic to the effect that one kilowatt of generating capacity can be constructed with only 1 per cent of the amounts of steel, copper, and aluminum which the same kilowatt can help produce in a future year. In other words, an investment of one ton of these critical materials would provide power facilities necessary to effect the production of 100 tons of the metals per annum.

Regarding future methods of rationing electricity, should this prove desirable or necessary, the report points out that residential, rural, commercial, and small industrial users, which together take about half the electric output, cannot be rationed very effectively except through such devices as voluntary conservation, the brownout, voltage reduction, and daylight saving. Moreover, the most substantial savings of this kind would be available in eastern cities where they are not vitally needed and where limited transmission facilities would prevent effective transfers of power to areas of deficit.

More significant savings would thus have to be made in industrial consumption. "The experience in the Southeast in 1941, the experience during 1947 and 1948, and the recent episode in the Northwest all . . . bear out the conclusion that in power shortages of any significant degree some rationing of electricity for the *essential* industries becomes inevitable"; and the committee estimates that about two-thirds of the industrial load would be classed as "essential."

SUMMARIZING, the committee suggests that the DEPA and NPA divisions concerned should make a new investigation as to (1) what extent the power expansion now on order for 1952-54 is physically capable of attainment[1]; (2) whether the utilities themselves can maintain the necessary construction schedules once the major equipment is delivered to them; (3) the necessity for fitting defense loads into the best areas from a power capacity viewpoint; (4) whether important interconnections now under construction or study can be expedited (the committee was not specific but perhaps had in mind the proposed Pacific coast interconnection between California and Washington); (5) whether orders for individual power units should be reviewed in order to accelerate projects scheduled for "areas of deficit" and defer those for "areas of surplus"; (6) whether additional capacity should also be planned for tight areas in the year 1954, in which year allocations should be more readily available.

The committee's conclusions are interesting and valuable, but it seems a little disappointing that the report does not include any detailed tables and charts, nor does it discuss in detail the various estimates prepared by the other agencies which have been covering virtually the same ground as DEPA and the Morehouse Committee—the FPC and the EEI. However, Chairman Morehouse has acknowledged the assistance of all these agencies in the preparation of his committee's report.

The chart on page 245 shows the weekly output of electric power during the years 1948-51. In recent weeks output has been running about 9 per cent over last year. Going back to the World War period for an historical parallel, peak loads increased during the early part of the war at a somewhat faster rate than during the late 1930's, but *leveled off during 1944-45*—so that a trend line from January, 1939, to January, 1945, would have maintained only about the earlier rate of gain, despite the huge war program. Is it possible that any similar trend might occur during the years ahead—a rapid increase in 1952, with a flattening out in 1953-54?

This seems unlikely if the administration pushes the expansion of atomic power. It has been estimated[2] that by next June the AEC will be using 12 billion kilowatt hours per annum, or about 3 per cent of the national output, as compared with 2 per cent early in 1952. The new uranium separation plant at Paducah is slated to use 1,000,000-kilowatt capacity, and the hydrogen bomb plant in South Carolina at a later date is also scheduled to become a heavy power consumer. This demand, together with the greatly increased use of refractory metals in airplanes, are, of course, factors in the conclusions reached by the Morehouse Committee. Eventually, the AEC may be able itself to produce (through the use of breeder reactors making plutonium) much of the power which it consumes, but there is no timetable for this interesting potentiality and doubtless the committee ignored it in its calculations.

Comment by Charles Tatham on Dividend Pay-out Policies

WE print verbatim, as follows, a letter to the financial editor from Charles Tatham, Jr., vice president of Institutional Utility Service, Inc. It is included in its entirety because of the wide interest on the question of dividend policy of electric utilities at this time:

I read with great interest your review of my chapters on public utility analysis that appear in the third revised edition of *Security Analysis* by Graham and Dodd and I appreciate the care and thoroughness of your discussion. In view of the importance of some of the points you raise, I should like to offer some additional comments on them.

[1] No direct reference was made to the careful and detailed report made by the Cisler Committee, which devoted more than half of its recent 25-page survey to this question.

[2] *The New York Times,* January 24, 1952.

In regard to my view that a conservatively capitalized electric utility with good accounting and adequate reserves and not vulnerable to rate cuts, can normally pay out 80-85 per cent of the earnings available for the common stock, you say that you feel that this rests rather too heavily on historic data. To some extent, although not entirely, it is true that I used past practice as the basis from which to develop expectable future policy. This in itself should not be objectionable, in fact it is difficult to see how it is possible to determine future expectations in a matter like this without a careful study of the past.

My conclusions as to pay-out policy were not, of course, based solely on the experience of the ten companies referred to in the book, although they were used as indicative of industry practice. Actually, my studies covered a much broader range, a full discussion of which was precluded by space limitations. For example, the average pay-out of the 24 companies included in Moody's utility common stock average over the period 1929-1950 was 86.5 per cent. If we exclude certain years as obviously abnormal, the pay-out averaged 83.3 per cent.

For the utility companies listed in the Cowles Commission's study, "Common Stock Indexes," the average pay-out over the 40-year period 1901-1940 was 81.5 per cent. I have also made compilations of other groups of companies (mostly holding company controlled during the period) which show similar pay-outs when averaged over a period of years.

It seems to me that the factors that underlie and justify a high pay-out can be grouped under three headings: financial, economic, and regulatory.

From the financial aspect, a liberal pay-out almost invariably results in a higher price for the stock in relation to earnings, which permits the raising of additional equity capital at lower cost. This point has been widely recognized and was well expressed by Commissioner Donald C. Cook, of the SEC, in a talk given before the New York Society of Security Analysts on March 29, 1950.

Along with other pertinent comments, Mr. Cook said, "It is well known that electric utility common stocks sell more on a yield basis than on an earnings basis. . . . A utility management which relies too heavily on retained earnings (for financing construction) is, therefore, consciously or unconsciously, cheapening the price of its stock."

From an economic standpoint the great stability of the electric utility business permits a high distribution of earnings with substantial assurance that the dividend can be maintained under all ordinary business conditions. This earnings stability reflects the extraordinarily broad market for the service, the absolutely essential nature of the service, and the fact that its economic worth is very much greater than its present-day cost.

This latter fact, particularly, provides great assurance as to the future stability of earnings. Virtually every living cost has risen substantially over the past ten years. The cost of electric service has declined. The regulatory agencies have clearly demonstrated their willingness to grant rate increases when these have been necessary to preserve the financial well-being of any company.

From the regulatory aspect, earnings sufficient to finance internally a substantial expansion program are not permitted. The allowed return, by Supreme Court definition, is generally restricted to that amount "sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."

The attraction of equity capital on favorable terms is a very important factor in the determination of dividend policy.

Just what the percentage pay-out in any particular year should be is, of course, a matter for the company to decide in the light of all the facts. Under reasonably normal conditions, however, I believe that in the future, as in the past, a pay-out in the 80-85 per cent area will be justified.

In this matter of pay-out, I do not think that the industry average in recent years (1946-1950) can be accepted as an informative guide. During this period costs of all sorts were rising rapidly; it was a period of economic and political uncertainty and a conservative attitude towards pay-out was only natural. In addition, the industry was going through a comprehensive accounting reorganization which, in many instances, necessitated large charges against surplus and, consequently, conservatism in the pay-out of earnings. The past magnitude of surplus charges should not be a factor in the future and this is an important reason, I think, for anticipating a high pay-out. More recently, moreover, I think that there has been a growing realization of the importance of the dividend as a determinant of price, and an increasing confidence in the co-operation of regulatory authorities, in meeting the financial problems caused by rising costs.

I might also mention that others besides myself have commented on the desirability of relatively high pay-outs. Last June, for example, Mr. George Woods, chairman of the board of The First Boston Corporation, said, in a talk before the EEI, "Generally speaking, your common stock financing will be facilitated by paying out as cash dividends up to perhaps 80 per cent of the available earnings."

Earned surplus represents accumulated profits properly belonging to the stockholders. Retention of earnings in the business is appropriate for the purpose of (a) meeting contingencies not provided for by reserves, (b) assuring continuity of dividends in a period of limited adversity, and (c) to some extent financing expansion. In these respects the economics of the electric power business do not ordinarily require a large surplus and in fact a large earned surplus may be conducive to political efforts towards confiscation.

You also mention the decline in gross income as a percentage of revenue, over the period 1926-1950, from 48 per cent to 25 per cent and say that this "declining profit margin" detracts from the argument that stability warrants a high pay-out. In the case of the regulated electric industry, however, I do not think it is appropriate to use "tests usually applied to other industries."

Actually, the return on the investment, although it has decreased in the last few years due to rising costs, has not shown a decline of anywhere near the magnitude indicated by the above. This reflects the tremendous increase in the efficiency in the use of the investment. Operating revenue per $1 of investment has more than doubled since the early thirties. Thus a smaller percentage of the increased revenue suffices to maintain the return on the investment.

In respect to the factor of growth and its effect on common stock earnings, I do not think I gave this subject adequate treatment in my chapters in the book. In order to correct this I have prepared an expanded discussion of the topic, which is to appear in the next issue of *The Analysts Journal.*

In regard to the formulas I developed for evaluating utility common stocks, it is not quite correct to say that they are "both based on the historical results for the ten large companies referred to." However, on this point I think that I myself am at fault and that I inadvertently gave this impression. Actually they are based on many studies that I have made, but which also were not discussed in my chapters due to space limitations.

I agree with you that a 20 per cent "range of value" is of limited help in the field of *pricing* new securities for marketing purposes or for preparing competitive bids. Under these circumstances the analyst is faced with a merchandising problem and he must price the product at some precise figure in accordance with the going market level, based on a consideration of the factors you so well describe. His success or failure is determined once the transaction is completed and his profit or loss can be computed. I do not think, however, that long-

range investment value can be determined with such attractive precision.

(Signed) CHARLES TATHAM, JR.

New Negotiations

As indicated in the table on page 173 of the January 31st FORTNIGHTLY, negotiated security offerings to the public last year amounted to $322,000,000 or only about 11 per cent of the total amount of utility financing. Nearly all of this amount probably reflected preferred and common stock deals, as almost all important bond issues go the route of competitive bidding.

An important exception was the issue of $35 billion Philadelphia Electric 30-year 3¼s, which were offered January 9th by Drexel & Co. and Morgan Stanley & Co. and associates. The offering was oversubscribed and, according to *Wall Street Journal* comment, the company probably did better than if it had put the issue up for sale at competitive bidding. The bonds were sold on a 3.20 per cent basis, with a "mark-up" of .665 per cent.

The United States recently announced a $20,000,000 loan to the Philippines to help expand electric power facilities.

The government's Export-Import Bank said the loan would go to the National Power Corporation of the Philippines to assist in a development project on the Agno river.

The loan will bear 4 per cent interest and is to be repaid over twenty years, beginning in 1955.

FINANCIAL DATA ON ELECTRIC UTILITY STOCKS

1950 Rev. (Mill.)			1/22/52 Price About	Current Yield	Share Earnings* Current Period	Share Earnings* % Increase	Share Earnings* Freq. Of Reports**	Price-Earn. Ratio	Div. Payout
168	S	American G. & E. ($3‡)	62	4.8%‡	$4.64n	4%	my	13.4	65%
4	O	Arizona Edison ($1.20)	22	5.5	1.94s	28	qy	11.3	62
5	O	Arkansas Mo. Power ($1)	16	6.3	1.47s	12	qy	10.9	68
18	S	Atlantic City Elec. ($1.30)	24	5.4	1.62n	9	my	14.8	80
4	O	Bangor Hydro Elec. ($1.60)	27	5.9	1.93d	D26	qy	14.0	83
2	O	Beverly G. & E. ($3.30)	51	6.5	4.13d	31	a	12.3	82
3	O	Black Hills P. & L. ($1.28)	20	6.4	1.92o	D7	qy	10.4	67
69	B	Boston Edison ($2.80)	46	6.1	3.07s	9	qy	15.0	91
12	O	California Elec. Pr. (60¢)	8½	7.1	.55s	D28	qy	15.5	109
11	O	Calif. Oregon Pr. ($1.60)	26	6.2	1.87n	23	b	13.9	86
34	S	Carolina P. & L. ($2)	35	5.7	2.97d	—	my	11.8	67
13	O	Central Ariz. L. & P. (80¢)	13	6.2	.68d	D40	my	—	118
17	S	Cen. Hudson G. & E. (60¢)	11	5.5	.69s	—	qy	15.9	87
13	O	Central Ill. E. & G. ($1.30)	23	5.7	2.33s	D3	bq	9.9	56
20	S	Central Ill. Light ($2.20)	39	5.6	2.78d	5	mcy	14.0	79
30	O	Central Ill. P. S. ($1.20)	18	6.7	1.45o	NC	qy	12.4	83
11	O	Central La. Elec. ($2)	33	6.1	3.04s	NC	qy	10.9	66
23	O	Central Maine Power ($1.20)	18	6.7	1.37n	D1	my	13.1	88
73	S	Central & S. W. (90¢)	17	5.3	1.34s	—	qy	12.7	67
7	O	Central Vermont P. S. (76¢)	12	6.3	.98n	—	my	12.2	78
69	S	Cincinnati G. & E. ($2‡)	40	5.0	2.90s	1	qy	13.8	69
4	O	Citizens Utilities (90¢‡)	19	4.7	2.16s	14	qc	8.8	42
70	S	Cleveland Elec. Illum. ($2.60)	51	5.1	3.54s	6	qy	14.4	68
2	O	Colorado Cen. Power ($1)	18	5.6	1.35s	8	qc	13.3	74
28	S	Columbus & S. O. E. ($1.40)	22	6.4	1.89s	D7	qy	11.6	74
271	S	Commonwealth Edison ($1.80)	32	5.6	1.94s	D6	qy	16.5	93
7	C	Community Pub. Ser. (90¢)	14½	6.2	1.16s	D12	qy	12.5	78
1	O	Concord Electric ($2.40)	36	6.7	2.65dx	3	a	13.6	91
44	O	Connecticut L. & P. (88¢)	15	5.9	.95n	D1	mcy	15.8	93
15	O	Connecticut Power ($2.25)	38	5.9	2.37s	D5	qy	16.0	95
393	S	Consol. Edison ($2)	34	5.9	2.24s	3	qy	15.2	89
79	S	Consol. Gas Balt. ($1.40)	27	5.2	1.64s	D9	qy	16.5	85
114	S	Consumers Power ($2)	36	5.6	2.63n	12	mcy	13.7	76

					Share Earnings*				
1950 Rev. (Mill.)		(*Continued*)	1/22/52 Price About	Current Yield	Current Period	% Increase	Freq. Of Reports**	Price-Earn. Ratio	Div. Payout
43	S	Dayton P. & L. ($2)	35	5.7	2.74d	D4	qy	12.8	73
21	S	Delaware P. & L. ($1.20)	25	4.8	1.78s	D5	qy	14.0	67
6	O	Derby G. & E. ($1.40)	23	6.1	2.08dx	8	qc	11.1	67
151	S	Detroit Edison ($1.40)	23	6.1	1.68n	D10	b	13.7	83
83	C	Duke Power ($4.75)	85	5.6	6.94s	D11	bq	12.2	68
6	O	El Paso Electric ($1.20)	22	5.5	1.75n	4	my	12.6	69
8	S	Empire Dist. Elec. ($1.40)	20	7.0	1.94s	D12	qy	10.3	72
3	O	Fitchburg G. & E. ($3)	46	6.5	3.68dx	32	a	12.5	82
21	S	Florida Power Corp. ($1.20) ...	19	6.3	1.30s	D23	qy	14.6	85
46	S	Florida P. & L. ($1.40)	26	5.4	2.44s	D3	qy	10.7	57
1	O	Frontier Power (25¢)	3	8.3	.49dx	20	a	6.1	82
126	S	General Pub. Util. ($1.40)	22	6.4	1.68s	D22	qy	13.1	83
4	O	Green Mt. Power ($1)	17½	5.7	1.93n	23	qy	9.1	52
29	S	Gulf States Util. ($1.20)	23	5.2	1.60n	D8	my	14.4	75
17	C	Hartford E. L. ($2.75)	48	5.7	2.87s	D2	qy	16.7	96
4	O	Haverhill Electric ($2.40)	34	7.1	3.14dx	12	qc	10.8	96
34	S	Houston L. & P. (80¢)	20	4.0	1.30n	D3	my	15.4	62
15	S	Idaho Power ($1.80)	40	4.5	2.89s	3	qy	13.8	62
45	S	Illinois Power ($2.20)	38	5.8	2.81n	14	b	13.5	78
28	S	Indianapolis P. & L. ($2)	36	5.6	3.03s	5	qy	11.9	66
14	S	Interstate Power (60¢)	9	6.7	.79o	D8	qy	11.4	76
12	O	Iowa Elec. L. & P. (90¢)	14½	6.2	1.39n	D14	my	10.4	65
22	S	Iowa-Ill. G. & E. ($1.80)	27	6.7	2.19s	D14	qy	12.3	82
22	S	Iowa Power & Light ($1.40) ...	25	5.6	1.93s	8	bq	13.0	73
20	O	Iowa Pub. Service ($1.20)	21	5.7	1.75d	D15	b	12.0	69
8	O	Iowa Southern Util. ($1.20)	17	7.1	1.41n	D10	b	12.1	85
32	S	Kansas City P. & L. ($1.60)	29	5.5	1.89d	D5	b	15.3	85
14	O	Kansas Gas & Elec. ($2)	35	5.7	2.93n	D4	my	11.9	68
26	S	Kansas Pr. & Lt. ($1.12)	17	6.6	1.27s	D15	qy	13.4	88
23	O	Kentucky Utilities ($1)	16½	6.1	1.44s	14	qy	11.5	69
5	O	Lake Superior D. P. ($1.80) ...	27	6.7	2.45s	6	qy	11.0	73
6	O	Lawrence G. & E. ($2.40)	38	6.3	3.10dx	6	qc	12.3	77
47	S	Long Island Lighting (90¢)	15	6.0	1.18s	11	qy	12.7	68
30	S	Louisville G. & E. ($1.80)	35	5.1	2.98s	6	qy	11.7	60
6	O	Lowell Elec. Lt. ($3.35)	46	7.7	3.96dx	18	qc	11.6	90
7	O	Lynn G. & E. ($1.60)	29	5.5	2.12dx	9	a	13.7	94
5	O	Madison G. & E. ($1.60)	32	5.0	2.31dx	22	q	13.9	69
2	C	Maine Public Service ($1.20) ..	16½	7.3	1.63o	—	my	10.1	74
3	O	Michigan G. & E. ($1.80)	26	6.9	2.49s	20	qy	10.4	72
100	S	Middle South Util. ($1.20)	22	5.5	1.77n	2	qy	12.4	68
16	S	Minnesota P. & L. ($2.20)	34	6.5	3.19d	D1	my	10.7	69
1	O	Missouri Edison (70¢)	10	7.0	1.04s	D11	qy	8.8	67
5	C	Missouri P. S. (90¢)	17	5.3	1.70dxPF	—	qc	10.0	53
4	O	Missouri Utilities ($1)	16½	6.1	1.71s	18	qy	9.6	58
26	S	Montana Power ($1.55)	30	5.2	2.40n	D10	my	12.5	65
12	C	Mountain States P. (84¢)	12	7.0	1.16n	1	qy	10.3	72
107	S	New England Elec. (80¢)	12½	6.4	1.26s	D11	qc	9.9	63
31	O	New England G. & E. ($1)	15	6.7	1.10n	D13	b	13.6	91
37	O	New Orleans P. S. ($2.25)	41	5.5	2.76n	D1	my	14.9	81
1	O	Newport Electric ($1.80)	28	6.4	2.39n	D15	my	11.7	75
52	S	N. Y. State E. & G. ($1.70)	31	5.5	2.18d	D4	my	14.2	78
152	S	Niagara Mohawk ($1.60)	26	6.2	2.05d	6	qy	12.7	78
82	S	North American ($1.20)	20	6.0	1.23s	D15	qy	16.3	98
48	O	Northern Ind. P. S. ($1.40)	24	5.8	2.20n	5	c	10.9	64
81	S	Northern States Pr. (70¢)	11	6.4	.86o	NC	qy	12.8	81
7	O	Northwestern P. S. (80¢)	12	6.7	1.25s	D4	qy	9.6	64
86	S	Ohio Edison ($2)	35	5.7	2.58n	D3	mcy	13.6	78
26	S	Oklahoma G. & E. ($1.40)	23	6.1	1.64s	3	qy	14.0	79
12	O	Otter Tail Power ($1.50)	22	6.8	1.82n	—	c	12.1	82
237	S	Pacific G. & E. ($2)	35	5.7	2.08d	D5	bq	16.8	96
19	O	Pacific P. & L. ($1.10)	16	6.9	1.54n	11	my	10.4	71
78	S	Penn Power & Light ($1.60) ...	28	5.7	2.15n	D1	my	13.0	74

1950 Rev. (Mill.)		(Continued)	1/22/52 Price About	Current Yield	Share Earnings* Current Period	Share Earnings* % Increase	Share Earnings* Freq. Of Reports**	Price-Earn. Ratio	Div. Pay-out
8	C	Penn Water & Power ($2)	40	5.0	2.23dx	5	qc	17.9	90
156	S	Philadelphia Elec. ($1.50)	29	5.2	2.10o	D2	qy	13.8	71
23	O	Portland Gen. Elec. ($1.80)	29	6.2	2.67n	D3	c	10.9	67
38	S	Potomac Elec. Power (90¢)	15	6.0	1.09s	35	qy	13.8	83
43	S	Pub. Serv. of Colo. ($1.40)	28	5.0	2.04s	D10	qy	13.7	69
186	S	Pub. Serv. E. & G. ($1.60)	26	6.2	2.13d	34	qc	12.2	75
45	S	Pub. Serv. of Ind. ($1.80)	30	6.0	2.08n	5	c	14.4	87
15	O	Public Serv. of N. H. ($1.80) ..	25	7.4	2.00n	8	mcy	12.5	90
6	O	Public Serv. of N. M. (56¢) ..	10	5.6	.86s	12	qy	10.5	65
26	O	Puget Sound P. & L. (80¢)	17½	4.6	1.59n	D16	my	11.0	50
34	S	Rochester G. & E. ($2.24)	35	6.4	2.33s	D3	qy	15.0	96
7	O	Rockland L. & P. (60¢)	11	5.5	.68s	—	b	16.2	88
25	O	San Diego G. & E. (80¢)	14	5.7	1.09n	D10	b	12.8	73
10	S	Scranton Elec. ($1)	15	6.7	1.11n	D14	my	13.5	90
5	O	Sierra Pacific P. ($1.60)	24	6.7	1.92n	D1	my	12.5	83
105	S	So. Calif. Edison ($2)	36	5.6	2.96s	17	qy	12.2	68
21	S	So. Carolina E. & G. (60¢)	9	6.7	.45n	D33	mcy	20.0	133
4	O	Southern Colo. P. (70¢)	10	7.0	.82n	5	c	12.2	85
133	S	Southern Company (80¢)	13	6.2	.99n	D1	my	13.1	81
10	S	So. Indiana G. & E. ($1.50)	23	6.5	1.86d	D13	mcy	12.4	81
2	O	Southwestern E. S. (88¢)	13	6.8	1.38ag	7	—	9.4	64
19	O	Southwestern P. S. ($1.12)	19½	5.7	1.36n	8	mcy	14.3	82
6	S	St. Joseph L. & P. ($1.50)	25	6.0	1.93s	—	qy	13.0	78
11	C	Tampa Electric ($2.70)	42	6.4	2.91n	D14	my	14.4	93
67	S	Texas Utilities ($1.68)	34	4.9	2.67n	14	qy	12.7	63
6	O	Tide Water Power (60¢)	9	6.7	.76d	D33	b	11.8	79
27	S	Toledo Edison (70¢)	11	6.4	.92s	D10	qy	12.0	76
6	O	Tucson G. E. L. & P. ($1.60) ..	26	6.2	2.38d	12	bq	10.9	67
21	O	United Illum. ($2.40)	42	5.7	2.84dx	6	—	14.8	85
2	O	Upper Peninsula P. ($1.20)	15	8.0	1.41s	D7	bq	10.6	86
21	S	Utah Power & Light ($1.80) ..	30	6.0	2.37n	D4	mcy	12.7	76
63	S	Virginia E. & P. ($1.20)	23	5.2	1.66n	D1	mcy	13.9	72
94	S	West Penn Elec. ($2)	31	6.5	2.98o	D3	c	10.4	67
49	O	West Penn Power ($1.85)	38	4.9	2.12s	2	qy	17.9	108
7	O	Western Lt. & Tel. ($1.60)	24	6.7	2.23s	17	qy	10.8	72
18	O	Western Mass. Cos. ($2)	30	6.7	2.12n	D19	qc	14.2	94
65	S	Wisconsin E. P. ($1.30)	24	5.4	1.93s	4	qy	12.4	67
23	O	Wisconsin P. & L. ($1.12)	18	6.2	1.40c	D4	qy	12.9	80
		Averages		6.0%				12.8	77%
		Canadian Companies††							
134	C	Brazilian Trac. L. & P. ($1)	12	8.3%	$2.35d	4%	qc	5.1	43%
13	C	Gatineau Power ($1.20)	18	6.7	1.46d	2	qc	12.3	82
7	C	Quebec Power ($1)	18	5.6	1.33d	9	qc	13.5	75
29	C	Shawinigan Water & Pr. ($1.45)	44	3.3	1.98d	39	qc	22.2	73
16	C	Winnipeg Electric ($2.40)	39	6.2	2.44d	D4	a	16.0	82

dx—December, 1950. je—June, 1951. ju—July, 1951. ag—August, 1951. s—September, 1951. o—October, 1951. n—November, 1951. d—December, 1951. B—Boston Exchange. C—Curb exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. D—Decrease. E—Estimated. NC—No comparable figures available. *If additional common shares have been recently offered, earnings are adjusted to give effect to the offering. Percentage change is in the balance available for common stock. †Earnings on *average* shares outstanding $2.15; price-earnings ratio on this basis 15.8 and dividend pay-out 93 per cent. ††While these stocks are listed on the Curb, Canadian prices are used. (Curb prices are affected by exchange rates, etc.) ‡Stock dividend also paid in 1951. **The following symbols are used in this column to indicate the periods and frequency of earnings reports: a—Calendar year only. b—Twelve months only (reported monthly). bq—Twelve months only (reported quarterly). c—Cumulative months and twelve months. m—Month only. mc—Latest month and cumulative months. mcy—Latest month, cumulative months, and twelve months. mqy—Latest month, three months, and twelve months. my—Latest month and latest twelve months. q—Latest quarter only. qc—Quarters cumulatively. qy—Latest quarter plus last twelve months.

What Others Think

Fares and the Transit Problem

OVER sixty cities in the United States now have basic cash fares of 15 cents or more. Pittsburgh has gone to 17 cents and Cincinnati to 16 cents. Chicago has given serious consideration to a 20-cent fare on its rapid transit lines.

Of the ten largest cities in the United States, New York is the only one still adhering to the 10-cent flat fare. Chicago has 15- and 17-cent fares on its surface lines and an 18-cent fare on its rapid transit lines. Philadelphia, Detroit, Baltimore, St. Louis, Washington, D. C., and Boston all have 15-cent cash fares. The Cleveland fare is 13 cents and Los Angeles has a zone system with the initial fare 10 cents in the first zone and 5 cents for each additional zone, the central business zone being roughly only four miles in diameter. Philadelphia, Detroit, Cleveland, St. Louis, and Washington, D. C., do have somewhat reduced multiple-trip fares and in Boston there is a 10-cent fare for a single ride without benefit of transfer and on the surface lines only.

It is probably perfectly safe to say that not one of these properties is earning an adequate revenue or affording a wholly satisfactory service. Rising costs of labor, equipment, and materials, sharper peak loads, longer lines, and greater traffic congestion, together with declining over-all passenger volume, have increased operating expenses per passenger at a rate that has constantly outstripped fare increases. While, according to United States government figures, the cost of living has increased 85 per cent in the past ten years, the average transit fare has increased less than 50 per cent.

TRANSIT is peculiarly susceptible to labor costs. Over-all transit industry figures show that wages and salaries amount to over 60 per cent of the total cost of operation and taxes. These labor costs are accentuated as traffic congestion slows service and requires more of the operator's time for each trip. It is for this reason that rising labor costs are so closely coupled with fare increases. Unless and until rising costs can be curtailed, the only possible alternatives to fare increases are added public subsidies or sharp reductions in service, either by reducing the frequency of trips or eliminating lines and portions of lines which cannot be made to pay, or both.

There is, however, some question as to whether such fare increases should be imposed equally upon all types of riders. It must be recognized that transit affords a wider variety of services than virtually any other industry. There are short rides, long rides, and very long rides; there are rush hour rides and non-rush hour rides and late evening or night hour rides; there are daily riders and only occasional riders; there are rides in congested city areas, in intermediate and in outlying residential sections with frequent, less frequent, and long headway service on new, on old, and on some antique equipment; there are rapid transit subway rides, trolley rides, and bus rides; there are even times when a passenger can get a seat!

EACH type of service has a greater or lesser cost and a greater or lesser appeal to the passenger. The first transit operations consisted of one relatively short route with one type of vehicle operating at a leisurely pace on uncongested streets. A single 5-cent fare was more than adequate to pay the driver his dollar-a-day and found, pay for all

other operating costs, and return a profit not infrequently deemed excessive. Now, in spite of the greater complicity of service the concept of the flat fare persists and the amount thereof has not greatly increased.

There have been many experiments with various types of fares designed to meet some of these conditions. These include a reduced rate multiple-trip fare and a weekly pass designed to afford a reduced fare for the frequent or regular rider. Some properties have special off-peak or shopping rates at bargain prices designed to reduce the severity of peak rush hour loads when, in spite of crowded vehicles, it may cost twice as much to carry a passenger as it does during other periods of the day. Similarly there are reduced rates for Sunday and week-end riding. In some cases a higher fare is charged for late night service when the normal volume of traffic is insufficient to support the operation. There are differential rates for rapid transit or subway as distinguished from surface, trolley, or bus service. Some properties have very successful special extra fare services on express vehicles guaranteeing a seat per passenger.

A MATTER of outstanding interest today is the zone fare designed to meet the greatly increased length of ride and still afford a reasonable fare for the relatively short rider who may be otherwise too easily persuaded to walk, and for the intermediate rider who should not be called upon to pay the expenses of hauling the very long-distance riders.

The zone fare theory has been fairly generally accepted. The principal difficulty in practice is the location of zone limit points and a method of fare collection without undue complication or delay. Nevertheless, there are currently over one hundred transit properties that have some form of zone fare system and some of these have been successfully maintained for many years.

There are probably as many different types of zone fare structures and methods of fare collection as there are companies, and the possible variations are unlimited. As a matter of fact, a form of zone fare is in effect wherever there is a transfer from one vehicle or line to another without benefit of free transfer. Unquestionably, the zone fare is at least a partial solution to the transit problem tending, as it does, to differentiate between the short, the intermediate, and the long-haul rider.

There is good reason to give consideration to charging a higher fare on subways than is charged on surface vehicles. Certainly those who use express subway lines have the benefit of an infinitely faster service and are riding much greater distances, on the average, than those using surface transportation.

The matter of the curtailment of service is allied, in economic reasoning, to the questions involved in the fare problem. It is possible to reduce service on existing lines. Just as the increased fare is a hardship on the rider's pocketbook, reduced service is a hardship on the rider's comfort and convenience. During off-peak hours, it simply means a longer wait between vehicles, and during peak hours some additional delay in obtaining entrance into vehicles which will be loaded to capacity for a longer period of time. *While the public will strenuously object to paying more for their rides the evidence is that they will pay more without undue protest, providing a reasonable standard of service is maintained.*

THERE is no question but that transit affords a service to the general public as well as to its riders. In outlying areas, where there may be a public demand for service but an insufficient volume of riding to support the desired operation, certainly it is not Socialism to suggest that the public demanding the service contribute at least in some measure to its support. In congested traffic areas transit is just as important to the general municipal welfare as are streets. If transit were eliminated, many times the amount of street area would have to be provided and maintained to accom-

modate the traffic. For this reason alone, some degree of public subsidy of transit operations, at least in the larger cities, is not beyond reason.

If transit were a wholly private and unregulated enterprise, it could and would be made to pay its way. A major portion of any large city transit operation is an essential service for which an adequate fare may be demanded and obtained. It may be that some of the more preferred portions or types of this essential service would permit a high enough fare to bring profits sufficient to support some over-all improvements in service or the continuance of some losing operations. A wholly unregulated private management would adjust fares and service in such a manner as to bring an over-all return sufficient to insure a continued safe, adequate, and proper public service. In the event of any demand for additional service not warranted by the volume of traffic or amount of revenue obtainable, and not supportable by the over-all operation of the system, it would be only just and reasonable to expect that those demanding the service, whether all of them use it or not, should help to support it.

But transit is a public utility and in large measure a public necessity. As such it is and should be subject to public scrutiny and regulation not only to prevent undue profits but in order to insure reasonable managerial efficiency and adequate service. However, when the public through its regulatory authority, or by virtue of its outright ownership, insists on a volume and character of service, the cost of which cannot be met by the uneconomic and inadequate fare structure demanded, then there is no other recourse than that the public must make up the resulting deficits.

Unfortunately, the assurance that deficits will be made up is not apt to stimulate a very enthusiastic interest in the maintenance of a high degree of operating efficiency.

In this connection consideration might be given to a suggestion that transit management determine, by lines and portions of lines if necessary, what sort of fare and service structure would be required to support over-all operations under existing conditions without any aid from the city, and what reductions in fares or additions in service might be provided under various amounts of possible city contributions. With these estimates, the city could predetermine a fixed specified amount as its share of the benefits derived from transit operations and leave scientific management, rather than political expediency, to proceed from there.

—Graeme Reid

Labor and Free Enterprise

Free enterprise in the electric utility business was stoutly defended recently when Clement J. Lewis, a Utility Workers Union (CIO) official, took the witness stand during a California commission hearing on a rate increase request by the Pacific Gas and Electric Company. Lewis stated:

> . . . We are firm advocates of private ownership in the utility business, taxpaying private ownership. We do not believe in public power except in certain instances where private industry cannot do the job. Usually we don't take an affirmative or negative position in these matters at all. We take a neutral position and say that the company had to make its case and depending upon the merits of the case the commission should so rule. However, in this instance we are obliged to take an affirmative position, and I will tell you why: Usually the public utility employee is caught between the crosscurrents of a lot of forces. The public wants lower rates, the management of necessity has to run an efficient business. The commission has its responsi-

bilities to the public. And in the middle of it all is the public utility employee. Through collective bargaining we are trying to advance the employment of the public utility workers. We are trying to get more money, better pension systems, better working conditions in the Pacific Gas and Electric Company. . . .

THE union official went on to say that if it means that the company is trying to keep lower rates in this community and in all of northern California that it serves and that these lower rates are going to serve as a means of lowering working conditions and salary and hourly rates, the union has no alternative but to come before this commission to ask for more revenue for the Pacific Gas and Electric Company. He added that the union has a large program of improvements at collective bargaining for the employees which will take considerable money in the future. Lewis continued:

> . . . If this company can say to us, to the collective bargaining table, "We have been turned down in our efforts to get more revenue from the commission, and therefore we cannot meet your demands," then the employment of the Pacific Gas and Electric Company will no longer be attractive, and we will not be able to hold our membership, and we will not be able to advance the employment in the industry that we should. So, in view of the fact that our people are now 3½ per cent short of the amounts allowed under salary regulations, in view of the fact that we have a large program with respect to pensions, working conditions, and other money items in the future, in view of the fact that we know this company has attempted to keep low rates, perilously so, that they will serve to hurt us in the future if they are not raised, we are asking the commission to grant an additional revenue to this company in connection with this proceeding.

HE stated that the amount will have to rest on the merits of the case. Lewis declared that the union knows that a lot of the money that is being put out right now in expansion, additional capital, will come home maybe five or ten years from now and show some reward. He appreciated the fact that, because of the expanding communities, the large increase of population, and so on, the company is required to put out a lot of money, and these installations do not represent any profit or any reward for years to come. The union leader further observed:

> . . . The company has to lay out a lot of money to meet an expanding community. Some day the situation may be reversed when some of these capital items start showing a reward and a profit, but from our standard of the collective bargaining table and the defense of the employees, and this is the position of the employees at the present time, we think that the company has tried to maintain the lowest rates in the country, and there is no question about that, and we think that gets to be perilous as far as we are concerned. We think that our program at collective bargaining is going to cost money, and the company tells us it is not in a position to meet it now.

Lewis concluded that because of this the union had no alternative but to come before the commission and ask additional revenue for the Pacific Gas and Electric Company in the union's defense.

"IT is the unbroken record of history that overgrown government is bad and corrupt government; that morality in public office sinks in proportion as the public payroll rises. And it is also the unbroken record that the whole burgeoning mass finally collapses to crush the nation which brooks it."

—EDITORIAL STATEMENT,
The Wall Street Journal.

The March of Events

In General

Truman Offers Last Chance

President Truman on January 28th gave Congress a last opportunity to authorize United States participation with Canada in constructing the long-delayed, controversial St. Lawrence seaway and power project.

The seaway would open the way for ocean-going vessels to go into Great Lakes ports as far west as Detroit.

The President said the Canadian government has officially proposed "if the Congress does not approve the 1941 agreement" between representatives of the United States and Canada at an early date, to construct the $219,000,000 seaway as a solely Canadian undertaking, simultaneously with the construction of the $400,000,000 power phase of the project by the Province of Ontario "in association with an appropriate agency in the United States."

President Truman declared that the question before the Congress no longer is whether the St. Lawrence seaway should be built. "The question before the Congress now is whether the United States shall participate in its construction, and thus maintain joint operation and control over this development which is so important to our security and our economic progress."

The President's message touched off a brief but vigorous debate in the Senate, during the course of which Senator Aiken (Republican, Vermont) suggested that Senator Connally (Democrat, Texas) should quit blocking the bill in the Senate Foreign Relations Committee or resign as chairman. Senator Connally reiterated his opposition to the project in the strongest terms.

"This is not the time to spend a billion dollars on something that will be frozen over five months of the year and will be built on foreign soil," Senator Connally declared. "I very much hope my committee will adhere to its former position of not reporting this bill."

California

Gas Rate Increase Denied

Southern Counties Gas Company of California was denied a $3,390,000 annual rate increase by the state public utilities commission recently.

The company's application, filed in March, 1950, asked a return of 6.25 per cent on investment, but the commission, on the basis of hearings held in 1950 and 1951, ruled the requested rate increase, if granted, would yield a return of 7.8 per cent on a depreciated rate base.

Certain miscellaneous rate increases recently obtained by the company, the commission said, will give it a yield of 5.8 per cent on a depreciated rate base in the next twelve months, a return the commission found reasonable.

The commission ruled the company could file a supplemental application for a rate increase to compensate it in the future for recent increases in the cost of out-of-state gas Southern Counties Gas Company buys.

Florida

Permanent Exchange Agreement Tentatively Approved

A PERMANENT power exchange standby agreement between the city of Tallahassee and Florida Power Corporation was recently reported to have been tentatively approved by the city commission.

The contract provides for the city and the power company to furnish each other with power in emergencies and at other times when available and requested. The city will pay slightly more for power obtained under the agreement because the Florida Power Corporation will furnish relay lines for power it buys, while FPC power bought by the city would be delivered at Tallahassee.

The city power plant's three generators normally could produce more power than the city needs. Effective date of the permanent power exchange agreement will not be set until the engineering firm retained by the city says whether or not the new power plant is ready to stand on its own feet.

Kansas

Phone Rate Increase Granted

THE state corporation commission last month authorized a phone rate increase of $11,388,977 for the Southwestern Bell Telephone Company. The company was instructed to file a new schedule of rates which would produce the additional revenue.

Commission Chairman Robertson said the increase would provide a return of 6.35 per cent on the telephone company's investments in Kansas. Experts for the company had testified that the company needed a return of 8.4 per cent for a sound business operation. The commission granted approximately one-third less than the company desired.

The commission's action followed about four years of litigation, involving a total of seventy-five days of testimony. The increase resulted from the filing of three separate rate hike applications with the commission.

Maryland

Exemption of Gas and Electric Bills from Sales Tax Proposed

EXEMPTION of gas and electric bills from the state's sales tax was proposed by Richard W. Case, Baltimore lawyer who headed the State Tax Survey Commission, in a letter last month to Governor McKeldin, State Comptroller J. Millard Tawes, and the presiding officers of both branches of the state legislature.

Governor McKeldin, the state comptroller, and both Democratic and Republican legislative leaders were previously on record as favoring, instead, a plan to reduce individual income taxes due April 15th by 15 per cent. A bill to accomplish this was scheduled for introduction in the 1952 Maryland legislative session.

Massachusetts

Utility Bills in State Legislature

PROPOSED legislation to require that no more than three members of the 5-man state public utilities commission be from the same political party was unopposed at a hearing conducted recently by the state legislative committee on power and light.

The committee also reported adversely

a bill which would have required that an odor be added to natural gas, following a hearing at which spokesmen for gas companies said an odor already is being added.

At a meeting of the committee last month, Thomas H. Joyce of the Massachusetts Electric and Gas Association declared that natural gas companies "talked loosely" about reductions in rates. "I thought they didn't know what they were talking about at the time," he stated, "and now I'm certain of it."

He declared that many were only getting a return of 1 to 2 per cent, while the courts have held that a 6 per cent return on investment is fair. He said that it is now admitted that the rates charged the distributors for the natural gas are only 5 per cent lower than the cost of the manufactured gas. That means that any chances of lower prices to the consumer are slim, he indicated.

The action took place in consideration of a bill filed by Representative Pessolano, Democrat of Springfield, which would prohibit land owned by utility companies, not used for distribution or production purposes, from being taken into consideration for establishing rate structures of gas or electric companies.

Several measures to establish who should assess underground wire and pipelines were fought by municipal spokesmen late last month before the legislative committee on taxation. City Solicitor Charles D. Sloan of Springfield and William H. Kerr of the Boston law department denounced the present system as "vicious" and an "utter denial of the principle of home rule."

Springfield officials have been fighting a lengthy battle with Commissioner Long over the assessment of New England Telephone & Telegraph properties in Springfield. In the first appeal to the appellate tax board, the Springfield assessors were successful in doubling the assessment made by Commissioner Long, but the case was still pending.

New Jersey

Would Expand Commission

MEMBERSHIP of the state public utilities commission would be increased from three to five under terms of a bill introduced in the state legislature last month by Assemblyman Glenn, Atlantic county Republican.

The measure would provide that not more than three could be members of the same political party. Work load and jurisdiction of the department of public utilities and the resulting need for more investigations and hearings throughout the state," Glenn said, "indicate the need of two more commissioners on the board to expedite and facilitate the functioning of the department."

Ohio

To Boost Rates to Industrial Users

EAST OHIO GAS COMPANY, a subsidiary of Consolidated Natural Gas Company, announced recently that effective March 1st, it will increase rates to its 732 industrial gas customers by approximately 10 per cent.

The increase, it was estimated, would provide the company with additional revenues of about $2,000,000 annually. No approval of this is necessary from regulatory bodies, the company said.

Responsible for the rate boost, a company spokesman said, was the increased cost of gas to the company because of increases instituted by wholesale natural gas pipelines; doubling of the price of steel pipe during the last ten years; increases in Federal income taxes; and higher wages and general operating expenses.

Progress of Regulation

Rate Increase Denied Telephone Company Earning a Return In Excess of Cost of Capital

A TELEPHONE company's application for authority to increase rates was denied by the Illinois commission, which ruled that the company's present rates were providing it with an adequate return. The proof offered by the company with respect to prospective earnings was not deemed sufficient to justify the requested rate increase of approximately $23,000,000 where it indicated that the company's return would not be lower than in previous years even when changes in revenues and expenses were considered in the most favorable light for the company.

The commission based many of its findings as to the proper return which should be allowed on the cost of capital to the affiliated Bell system. The commission described the return necessary to maintain the system's traditional $9 dividend as the cost of the system's equity capital. However, it was indicated that in using the dividend as a standard to determine the level of return to be allowed, the commission was not approving that dividend or any other dividend.

As an answer to a contention made by the company that the system's past earnings were not sufficient to induce investment, the commission pointed to the $4 billion which the system had raised on favorable terms in the last six years. The willingness of buyers to pay a premium for the securities did not indicate any reluctance to invest in them.

The company also contended that a return in excess of the traditional dividend requirement was justified because certain industrial corporations have increased both their surpluses and dividends since 1945. The commission pointed to the fact that AT&T, unlike most industries, maintained a fixed dividend throughout the depression. Telephone rate fixing on a basis which, if followed generally, would induce fluctuation in the market price of AT&T to match those of industrial stocks was considered unwise and improper.

In determining the value of the company's property, the commission rejected reproduction cost estimates because of various defects in the methods used and because no evidence directly related to the proper rate of return to be applied to a reproduction cost rate base was offered.

The commission commented that a reproduction cost rate base was not advantageous to the ratepayer or the investor. From a ratepayer's standpoint, it puts a premium on the retention of old and inefficient plants because that type of plant is the cause of maximum differential between original and reproduction cost. From an investor's standpoint, it is undesirable since it would inevitably increase the fluctuations in utility earnings and thus increase the risk to investors.

Finally, the commission pointed out that the failure of reproduction cost estimates to take into account increased efficiency as a result of technological advances produces special distortions in the case of Bell system companies, which for years have been paying a portion of the cost of the system's research and de-

velopment under a license contract.

Present rates, according to the commission, provide the company with $900,000 in excess of its cost of capital which represents a return of 5.2 per cent. Since its cost of capital was only 4.83 per cent, these rates were found to meet the statutory standard of being just and reasonable. *Re Illinois Bell Teleph. Co. No. 39126, December 10, 1951.*

Tax Savings Do Not Require Issuance of Debentures Instead of Common Stock

The California commission, in approving a telephone company's application for authority to issue and sell additional common stock and debentures, considered the tax savings which would result if only debentures were issued by the company.

The commission did not limit the issue to debentures because of these savings, since the company had to arrange financing every year to meet its service obligations and consequently had to keep its capital structure sufficiently flexible to permit it to obtain, under favorable terms, the additional capital which it would need in some future period when different economic conditions might prevail. *Re Pacific Teleph. & Teleg. Co. Decision No. 46169, Application No. 32655, September 4, 1951.*

Rate Increase Preferred to Service Discontinuance

A transit company was authorized by the California commission to increase rates to a point where they would provide it with an estimated return of 15 per cent on its depreciated rate base and an operating ratio of about 95.5 per cent after taxes.

In its consideration of the company's application the commission recognized that several schedules were being operated without profit or perhaps at a loss. A fare increase was considered preferable to the discontinuance of unprofitable but necessary services. *Re Glendale City Lines, Inc. Decision No. 46147, Application No. 32325, August 28, 1951.*

Loss on Branch Line Insufficient Basis for Rate Increase

The New Jersey Board of Public Utility Commissioners denied a railroad's request for an increase in commutation fares. The railroad apparently relied on evidence as to the enormous and ever-increasing loss on this branch of its service as justification for the increase. It contended that because of this loss any information which the board wished on the subject of its over-all operation was irrelevant and immaterial to a determination.

The board pointed out that in addition to information as to the profit or loss on the operation for which the railroad sought a rate increase, evidence should have been submitted from which a property valuation could be computed, from which the reasonableness of the accounts could be determined, and from which a rate of return could be developed by relating income to rate base. *Re Central R. Co. of New Jersey, Docket No. 4000, December 20, 1951.*

Rate Increase Allowed Notwithstanding Service Inadequacy

The North Carolina commission approved a rate increase for a telephone company which would afford it a rate of return of 6.5 per cent on its net

investment, including an allowance for working capital.

The commission noted that many complaints had been filed against service and that many protests against a rate increase had been received. As an answer to these complaints, the commission said:

> This commission will continue to urge and insist upon the improvement and expansion of telephone service in accordance with modern needs. In connection with rate cases, however, a policy of denying needed additional revenue until after the standard of service has been improved cannot always be followed for to do so would in some cases result in the inability of a company to make needed expenditures and improve the standard of its service. In these matters the commission must use its best judgment in granting such rate increases as are just and reasonable and will be utilized in the proper way.

Re Central Carolina Teleph. Co. Docket No. P-9, Sub 10, December 7, 1951.

Power Projects Authorized Despite Opposition Of Conservationists

Power projects in Oregon and Washington were approved by the Federal Power Commission as being consistent with the public interest and with plans for the comprehensive development of the areas which would be affected. The critical power shortage in the Pacific Northwest was cited in both cases as an important consideration.

The fact that both projects would violate existing state statutes was not viewed as a bar to the license award by the commission.

Protests by state agencies and private groups interested in fish conservation that the projects would eliminate or seriously curtail the present population of fish which utilize upstream areas for spawning were overruled. In the Oregon case the commission held that no substantial evidence had been introduced to show that measures for conserving the fish, which were proposed as part of the power project, would not maintain existing fish runs and possibly enhance the fishery resources of the river.

In the Washington case the commission conceded that not all the present fishery values could be salvaged if the proposed dams were constructed but pointed out that not all of these values would be lost, as the objectors seemed to contend. The city constructing the Washington project was directed to make further tests and experiments to determine the best method of conserving the fish and to obtain commission approval before commencing construction of any permanent fish-handling facilities. *Re City of Tacoma, Project No. 2016, Opinion No. 221, November 28, 1951; Re Portland General Electric Co. Project No. 2030, Opinion No. 222, December 21, 1951.*

No Service Discontinuance by Selling Company

The Florida commission, although authorizing the Southern Bell Telephone & Telegraph Company to sell part of its facilities in one service area to a local company obtaining a loan from the Rural Electrification Administration, refused to allow it to discontinue service to its existing customers in the area. The commission did not believe that it had authority to allow one public utility to discontinue serving satisfied customers for the sole purpose of allowing another utility to serve them. It did find, however, that the sale would be in the public interest if it did not prevent the selling company from serving its present subscribers who might desire service.

The purchasing company was prepar-

ing to serve, in a large rural area, persons who were not enjoying this convenient and necessary service. There was a great public need for the service proposed. However, no showing had been made which would justify the selling company in discontinuing existing service in the populous portion of its service area.

As a matter of fact, a group of subscribers who were receiving service from the selling company appeared in person to protest the sale. They claimed that they were satisfied with the existing service; that they did not want that service to be withdrawn or to be replaced by the purchasing company's service.

At the close of the company's testimony, parties protesting against the sale moved to dismiss the applications on the ground that the commission lacked jurisdiction. The commission found, however, that while the Bell Company did not need its authorization to serve the area, it did need approval to discontinue service. It cited the statute providing that a corporation operating in Florida shall have power to sell all its property if it is under the commission's jurisdiction, but that such sale shall be approved by the commission.

The commission observed that while this statute was intended to cover the sale of the entire property of a corporation and sought primarily to protect minority stockholders, nevertheless the commission probably had jurisdiction to approve or disapprove of the type of sale involved in this case. *Re Santa Fe Teleph. Co. Docket Nos. 3415-TP, 3416-TP, Order No. 1744, December 27, 1951.*

Court Upholds Telephone Tariff Prohibiting Foreign Attachments

THE Federal District Court for the Western District of Oklahoma upheld a telephone tariff prohibiting the use of foreign attachments and restrained a manufacturing company from selling advertising devices called Dialites for use on handsets. The court ruled that the sale of the devices by the company, with knowledge of the service contract between the utility and its subscribers, constituted a continuing inducement to the subscribers to break their contract.

The telephone tariff was found to be necessary, reasonable, and in the public interest when applied to the device in question. The court found that Dialites might interfere with the operation of dial phones, damage instruments, cause confusion as to the origin of toll calls, and deprive the company of the use of the dial center space for instruction to users.

A charge by the manufacturers that the united action of Bell system companies to prevent the attachment of foreign devices on telephone instruments violated the provisions of the Sherman Antitrust Act was rejected. The companies' action was not, according to the court, a conspiracy or restraint of trade such as is contemplated by the act. *Southwestern Bell Teleph. Co. v. Dialite Dial Co. et al. November 21, 1951. Motion for new trial denied December 14, 1951.*

Improper Procedure Upsets Interstate Commerce Commission Order

INTERSTATE COMMERCE COMMISSION hearings must be held by examiners appointed to conform with the requirements of the Administrative Procedure Act, held a Federal district court.

In this instance a motor carrier brought an action to annul and enjoin a commission order granting a common carrier additional operating rights. The petitioner sought to amend its pleading to raise the issue that the hearing examiner had not been appointed as required by the act. Amendments to pleadings, the court held, are largely discretionary and should be allowed with great liberality at any stage of the proceedings unless violative of settled law or prejudicial to rights of opposing parties.

It was pointed out that proceedings dealing with personal rights must conform to the requirements of the Administrative Procedure Act and that no distinction should be made when dealing with personal rights or with property rights, as in this case, because the act applies to both. The court, upon authorizing the pleadings to be amended, remanded the case to the commission for appropriate action on the particular issue raised. *Tucker (L.A.) Truck Lines, Inc. v. United States et al. 100 F Supp 432.*

Rate Giving Stockholders a False Preference Discontinued

THE Indiana commission approved new telephone rates which would permit a return of 6 per cent on depreciated original cost of property after a nominal rate of 3 per cent had been applied for depreciation.

A provision in the company's tariff which allowed a stockholder a 25-cent discount was ordered discontinued. The commission pointed out that this provision gave the false impression that the stockholder was receiving preferential treatment whereas in reality stockholders, who were required by the bylaws to own their own instruments, were receiving only the allowance which any subscriber of telephone service owning his own instrument would receive. *Re Avery Teleph. Co. Cause No. 23235, January 3, 1952.*

Other Important Rulings

The United States Court of Appeals for the District of Columbia affirmed an award of a radio station license by the Federal Communications Commission based on a finding that one applicant was in a better position to carry out its service plans than the other because its stockholders were largely local residents and because it proposed greater integration of ownership and management in its operations. *Huntington Broadcasting Co. v. Federal Communications Commission, 192 F2d 33.*

The United States District Court ruled that a truck owner was engaged in the transportation of property in interstate commerce for compensation, so as to require him to obtain a certificate or a permit from the Interstate Commerce Commission, where the evidence indicated that, in addition to supplying the trucks, the owner dominated their use in the transportation of merchandise and also rendered contract carrier service. *Interstate Commerce Commission v. Gannoe, 100 F Supp 790.*

The Wisconsin commission, in upholding a complaint against a municipal water plant's main extension rule, held that a plant which extended mains with no assessments or customer contributions prior to a specific date may not now apply a connection charge in lieu of an assessment, where such charge would apply only to new customers located on mains laid pursuant to the previous extension policy, such a practice being deemed unreasonably discriminatory and unlawful. *Morris v. De Pere, 2-U-3630, December 28, 1951.*

The Missouri commission ruled that the operator of a water distribution system who was supplying water for compensation to all property owners within the real estate subdivision in which he maintained his well and his pipes was a public utility within its jurisdiction. *Re Haberman, Case No. 12,264, December 20, 1951.*

The supreme court of Illinois held that, in a proceeding seeking discontinuance of railway passenger service, consideration must be given to the fact that railroads no longer have a monopoly of

transportation. *Illinois C. R. Co. v. Commerce Commission, 101 NE2d 588.*

The New York commission authorized increased electric rates where the company's rate base had been increased by over 25 per cent, where the contract price for the purchase of power had been materially increased (notwithstanding that the construction of its power plant would somewhat ameliorate the situation), where the increase in rate of return would be slight, and where corporate income tax increases would affect the company's net revenues. *Re Central Hudson Gas & E. Corp. Case 15520, November 7, 1951.*

The New Jersey commission held that, ordinarily, actual investment in plant and facilities affords a reliable basis for calculating a rate base; but owing to the fact that a sewerage company's origin of book data as to investment and facilities was meager and its proposed reproduction approach was of doubtful probative force, the rate base was determined on a previous finding of fair value of tangible property and net additions since that finding. *Re Long Branch Sewer Co. Docket No. 5176, December 12, 1951.*

The Kentucky Court of Appeals held that the fact that customer witnesses desired certain motor carrier service, because of the advantages to be had through intrastate rates, did not make a case of public convenience and necessity, especially where there was no substantial evidence as to the inadequacy of present service. *C. & D. Motor Delivery Co. v. Schroder (Schroder's Express), 242 SW2d 356.*

A request by transit riders that the commission suspend proposed rates for six months, and then examine the company's financial condition and make such order as it might deem just and reasonable, was denied by the Pennsylvania commission with the comment that such suspension would be in direct conflict with the law. *Sharfsin v. Philadelphia Transp. Co. Complaint Docket No. 15126, November 19, 1951.*

Titles and Index

Preprints in This Issue of Cases to Appear in
PUBLIC UTILITIES REPORTS

Titles

Index

Public Utilities Reports (New Series) are published in five bound volumes a year, with the PUR Annual (Index). These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are $7.50 each; the Annual (Index) $6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."

Re Southern Bell Telephone & Telegraph Company

File No. 19315, Docket No. 195–U
November 1, 1951

APPLICATION *of statewide telephone company for authority to increase rates; modified rate increase authorized.*

Expenses, § 69 — Retirement losses — Difference between original and replacement cost.

1. A telephone company's alleged retirement loss, representing the difference between original cost and replacement cost of retired property, was not allowed as an operating expense in a rate proceeding, since such an allowance would have the same effect as computing depreciation expense on replacement cost over a period of years and would require the ratepayer to provide a portion of the company's capital requirements, contrary to the fundamental concept of regulation, p. 102.

Rates, § 86 — Commission authority — Retroactive rates.

2. The Commission does not have authority to make rate changes retroactive but must make rates for the future, basing a utility's need for additional revenues upon conditions which are now existing or which are anticipated with reasonable certainty in the immediate future, p. 104.

Expenses, § 109 — Social security tax — State sales tax.

3. A telephone company's increase in expense owing to a change in the social security tax base and a recently enacted sales tax law was considered in full in a rate proceeding, p. 105.

Valuation, § 39 — Reproduction cost.

4. The reproduction cost of telephone property was not considered a proper rate base, p. 106.

Valuation, § 36 — Net investment — Rate base.

5. A proper rate base for a telephone company was found to be its net investment, that is, its gross investment in plant and property dedicated to public service less depreciation reserve, p. 106.

Valuation, § 224 — Telephone plant under construction — Effect of capitalization of interest.

6. Telephone plant under construction was eliminated from a rate base where the company was capitalizing interest during construction, thereby providing a return on construction funds during the period in which they were used, p. 107.

Valuation, § 213 — Property held for future use — Telephones.

7. Property held for future use by a telephone company was included in the rate base where no interest was charged or capitalized on this property, p. 108.

Valuation, § 68 — Plant acquisition adjustment — Inclusion in rate base.

8. The unamortized balance of a telephone company's plant acquisition adjustment was included in its investment rate base where it represented an

actual investment at arm's-length bargaining, even though the balance had been incurred many years ago and might have been amortized sooner, p. 108.

Valuation, § 299.1 — Working capital allowance — Taxes.

9. No working capital allowance was made to a telephone company which had available a substantial sum of accrued taxes which would be sufficient to meet working capital requirements, p. 108.

Valuation, § 19 — Rate base — Excess investment at current cost levels — Telephones.

10. A telephone company was permitted to include in its rate base a sum representing excess investment at current cost levels above the average investment per station in service, computed over a 2-year period, so that the company would continue to receive an adequate return without the necessity of commencing another formal rate investigation when its investment had increased to a point where its return was no longer adequate, p. 110.

Apportionment, § 49 — Telephone revenue — Separations procedures.

11. Whatever revenue requirements are computed in a telephone rate case should be reduced by the amount which a change in separations procedures would reduce the cost of furnishing intrastate service, p. 110.

Rates, § 114 — Income taxes.

Statement that it must be kept in mind, in considering a telephone rate increase, that more than half of the revenue produced by any increase goes for Federal income taxes, p. 111.

Valuation, § 19 — Added future investment — Costs.

Statement, in dissenting opinion, that it is improper to include in a telephone rate base a sum of money reflecting a company's added investment per telephone during the coming two years, since such practice is speculative and assesses present subscribers to insulate the company from future adverse economic affairs, p. 113.

Return, § 111 — Telephones.

Statement, in dissenting opinion, that a telephone company's return of 5.5 per cent on its rate base is entirely adequate, p. 114.

(McDonald, Commissioner, dissents.)

Appearances: John T. Goree, Counsel, James A. Branch, Counsel, and E. D. Smith, Jr., Counsel, for the company; Peyton Hawes, Counsel, for Georgia Hotel Association; J. C. Murphy, Assistant City Attorney, for the city of Atlanta.

Other Appearances: H. P. Hall, Legislative Representative, Brotherhood of Railroad Trainmen; Rex Adams, individual subscriber; W. A. McClain, representing group of Northwest Fulton county citizens.

For the Commission: M. H. Blackshear, Jr., Deputy Assistant Attorney General, Lamar Sizemore, Assistant Attorney General, Bland Goodwin, Jr., Law Clerk, Attorney General's Office, and Robert Hicks, Law Clerk, Attorney General's Office.

By the Commission: On May 17, 1951, Southern Bell Telephone and Telegraph Company filed an application with the Commission for an adjustment in the general schedules of rates and charges for intrastate tele-

phone service within the state of Georgia. This original petition did not stipulate the total increase in gross revenues requested, nor did it set forth specific rates and charges for the establishment of which authority was requested. The Commission directed the company to amend its petition to indicate both the total increase in gross revenue sought, and to show proposed rates and charges which would yield such revenue increase, in order to give adequate notice to the public. Pursuant to this direction the company amended its application on May 30, 1951, said amendment alleging that the company required increased gross revenues in the amount of $6,661,000 per annum, based on the then current Federal income tax rate of 47 per cent, or $8,023,000 per annum should the Federal income tax rate be increased to 52 per cent as then proposed by the Ways and Means Committee of the House of Representatives of Congress. During the course of the hearings, the requested increase at the 52 per cent tax rate was amended to $8,294,591 to reflect a supplemental wage increase which occurred during the course of the hearings. Transmitted with the amended petition was a proposed schedule of rates and charges which would produce $6,661,000 of additional gross revenue annually.

At the direction of the Commission, notice of the application, together with the time and place of public hearing thereon, was published by the company in two issues of each of the local newspapers having general circulation in Atlanta, Augusta, Columbus, Macon, Rome, Savannah, and Valdosta, Georgia. The initial hearing of this application was first scheduled for June 28, 1951, but on request of the company, due to conflict with a hearing scheduled in another state, the matter was assigned for hearing beginning on June 13, 1951, at which time the company presented its direct testimony in support of the application. At the conclusion of this phase of the hearing, the matter was recessed until July 31, 1951, in order to give the Commission's staff opportunity to prepare cross-examination of company witnesses on the testimony submitted. Approximately four days of hearing were required in the cross-examination of company witnesses, and on August 3, 1951, the hearing was again recessed until August 29, 1951, in order to give the staff of the Commission opportunity to prepare direct testimony with respect to the issues raised by the company. This direct testimony was completely submitted on that date and cross-examination thereon, as well as certain rebuttal testimony by the company, was submitted on August 30, 1951, on which latter date the record in the case was closed and the matter taken under advisement by the Commission. The record in this case comprises 1,093 pages of testimony and cross-examination thereon, 60 exhibits submitted by thirteen witnesses for the company, and 39 exhibits submitted by the staff of the Commission, together with some 78 individual request items which the staff of the Commission requested and which the company supplied. It is clear, therefore, that this proceeding represents a thorough and extensive investigation of the application of said company.

The Georgia Hotel Association intervened in the proceedings in opposition to the proposed increases in

charges for telephone service rendered to hotels in Georgia, and submitted certain evidence with respect to the operation of the so-called "Telephone Department" of certain hotels, alleging that such departments are now operated at a loss. The Hotel Association, by counsel, also requested that the record in a prior case dealing with hotel telephone rates under Docket No. 9342–A be made a part of the record in this case by reference. The company objected to this procedure on the basis that the other record was out of date and that the Hotel Association should present current testimony. The Hotel Association request was taken under advisement by the Commission and at the conclusion of the hearing on August 31, 1951, it was announced that the Commission would receive, by reference, evidence submitted in Docket No. 9342–A to the extent that it was pertinent, but that the briefs submitted in the earlier hotel case would not be included in this proceeding.

This case represents the fourth application of the company for increased rates subsequent to World War II. The first application was filed with the Commission on November 1, 1946, and on January 23, 1948, the Commission authorized increased rates totaling some $1,596,000 per annum of additional gross revenue. On August 6 and 26, 1948, further increases in telephone rates were obtained through court action in the amount of $2,119,000 per annum. On January 10, 1949, 77 PUR NS 7, the Commission issued an order authorizing another increase in rates which would yield some $1,483,000 of increased gross annual revenue, and on June 14, 1949, 80 PUR NS 244, the Commission by order authorized a further increase in telephone rates equivalent to $2,322,724 annual gross revenue increase. The company alleges that even before the 1951 wage increase the annual revenue from all telephone rate increases in Georgia since 1939 was $4,000,000 less than the cost of wage increases alone granted over the same period. The Commission appreciates the impact of wage increases on earnings, but it does not think the company comparison is indicative of this impact. A more indicative comparison would be to relate the portion of each revenue dollar going to wages in 1939 to the corresponding portion in 1951.

In the original application in the instant proceeding, the company predicated its need for a further increase in revenues upon substantial increases in the cost of rendering telephone service which have come about since the last order of the Commission which fixed rates based on revenue requirements and conditions existing during the six months' period ending February 28, 1949. The application of the company lists the more significant increases as:

1. Substantial increase in the overall investment in telephone plant, due to the generally high level of construction costs and the large volume of such construction necessary to meet the public demand for telephone service.

2. Substantial increases in the wages of petitioner's employees, said wage increases having occurred in the year 1950.

3. Substantial increases in the rates of the Federal corporate income tax applicable to petitioner's net income, said increases having occurred in 1950 and 1951.

4. Substantial increases in the cost to petitioner of materials, equipment, and supplies necessarily used by petitioner in the rendition of telephone service.

5. Substantial increases in many other costs necessarily incurred by petitioner in the rendition of telephone service.

In addition to the above-listed items, the application of the company states further that the applicant has made an offer of a further wage increase to its employees as a result of bargaining with the Communications Workers of America which would increase salary and wage costs chargeable to Georgia operations in excess of $1,890,000 per annum, on which the Georgia intrastate expense portion would be in excess of $1,275,000 per annum. According to evidence later adduced, the total increase in expenses due to 1951 wage and salary increases, aggregates the sum of $1,500,341 per annum. In addition, the application of the company, as amended, alleges that should the 52 per cent Federal income tax rate be enacted into law (which has since transpired), additional annual gross revenues of approximately $1,362,000 will be required to offset such tax increase. This reflects the change in the Federal tax income rate from 47 per cent to 52 per cent, while the rate at the time of the last Commission decision was 38 per cent. The amount of additional increased revenue requested which exceeds the effect of 1951 wage increases and recent increases in Federal income taxes, appears to be based on the allegation that the company was not earning what it considered to be a reasonable rate of return and its further allegations with respect to retirement losses which will be discussed later.

Mr. R. R. Stubbs, vice president of the company, testified at length with respect to revenues, expenses, rate base, retirement loss, and alleged required rate of return and the corresponding additional earning requirement. According to his testimony, for the year ending April 30, 1951, Georgia intrastate operations produced $37,537,633 of gross operating revenues and that Georgia intrastate operating expenses totaled $32,640,893, leaving $4,896,740 net operating income, or at the rate of 5.42 per cent on the net average investment for the period of $90,414,756. Adjustments were made to these figures to reflect (1) the full effect of the January, 1951, Federal income tax rate of 47 per cent which was not in effect for the entire base period; (2) the effect of the 8 per cent interim wage increase granted in June, 1951; (3) the effect of the additional 2 per cent wage increase agreed upon between the company and the Union and submitted to the Wage Stabilization Board for approval, which approval has subsequently been granted, and (4) the effect of the then anticipated 52 per cent corporate Federal income tax rate which likewise has become a reality. The adjusted net operating income for the twelve months ending April 30, 1951, taking into account the above increases in wages and in income taxes, was shown to be $3,643,138, or 4.03 per cent on the net average investment of $90,414,756. The above represent the basic investment, revenue, expense, and net income figures presented by the company which are adopted by the Commission for the

purpose of this case, but subject to additional adjustments.

Retirement Loss

[1] Witness Stubbs offered a substantial amount of testimony with respect to an alleged retirement loss resulting from the necessity for replacing retired property at higher cost levels than those under which the retired property was originally placed. According to his allegations, the depreciation expense amounts recorded on the books of the company resulted from the application of depreciation rates which recover only the original cost of the property, and falls short of recovery of the value of the property at present cost levels. It is claimed that at the time of retiring physical property there accordingly occurred a loss which is not reflected as such in the depreciation expense account, and that the amount of this loss is the difference between the original cost and the replacement cost of the property retired. The company contended that the value of the dollar has declined, that there has occurred a permanent decrease in its purchasing power, that the prescribed depreciation accounting results in only the partial maintenance of the integrity of the investment, and that the company should be allowed to charge such rates for service as are necessary to see that the value of the property investment is kept unimpaired. Witness Stubbs in his testimony, recognized the practical necessity for computing depreciation on the basis of original cost and specifically did not suggest any change in the prescribed accounting system. Based on this premise, he made no change in the depreciation expense accounting on original cost, but "approached the matter of supplementing the depreciation accounting to keep the plant intact, thus considering the retirement losses as they occur."

In order to measure this alleged loss, witness Stubbs re-priced the original cost of plant retired during the year 1950 at an estimated replacement cost at May, 1950, cost levels, and again at April, 1951, cost levels, representing the beginning and end of the base period of earnings. According to these calculations, he determined that the replacement cost of property retired at May, 1950, cost levels exceeded its original cost by $640,176, or 0.62 per cent of net average investment, and at April, 1951, cost levels the replacement cost of property retired exceeded its original cost by $920,171, or 0.88 per cent of net average investment. These figures were for combined operations, and the witness submitted no evidence with respect to the intrastate portion. He then averaged these two percentages arriving at an alleged 0.75 per cent of net average investment as a measure of the claimed retirement loss for the year 1950. The amount of the urged retirement loss was deducted from net operating income during the base period, both before and after adjustments for the wage and tax increases resulting in a substantially lower indicated rate of return. Later in his testimony the deficiency in earnings and the computed additional revenue requirements were derived from this reduced rate of return, thereby including the amount of the retirement loss as an alleged expense which should be covered by higher rates for service.

This alleged retirement loss represents a novel approach in an endeavor

to justify an extremely questionable cost of operation. While it is not so labeled, it would have the same effect as computing depreciation expense on replacement cost over a period of years. This follows, since if the depreciation accruals had been computed on replacement cost, there would be no alleged deficiency in the depreciation reserve as related to the replacement cost of property retired. The witness himself acknowledges the practical necessity for computing depreciation on the basis of original cost as prescribed in all utility Uniform System of Accounts, yet advances a premise which effectively would compute depreciation on the basis of replacement cost. This single item, if it had merit, would require some $1,400,000 annually of increased revenue.

The staff of the Commission submitted extensive testimony with respect to retirement loss. It was developed first that neither the Uniform System of Accounts prescribed by the Federal Communications Commission, nor any other accounting system currently prescribed for regulated public utilities provide in any way for an alleged cost of this nature, and further, that the Bureau of Internal Revenue does not recognize this item as a cost of operation for income tax purposes. It was developed that since the alleged cost is not recognized for income tax purposes, some $2 would be required in gross revenue for each one dollar of the alleged loss, the other dollar being paid to the Collector of Internal Revenue. This in itself presents a serious question of equity if the item otherwise had merit, for it does not seem proper to assess a ratepayer $2 in order to meet a cost, or operating expense of one dollar.

It is the responsibility of the utility to provide necessary capital for construction or installation of facilities required to furnish service to the public. This responsibility is just as great on the utility for facilities or equipment which replaces existing facilities or equipment, as it is for the provision of original facilities and equipment which do not replace existing plant. To acknowledge that there is a retirement loss, chargeable to operating expenses, would require the ratepayer to provide a portion of the capital requirements of the company, which is contrary to a fundamental concept of regulation. That concept places the burden on the utility to provide reasonable capital amounts required for the construction of facilities to provide service, and that a regulatory Commission must permit a reasonable charge for depreciation on such plant and equipment used in providing service to the public and, in addition, must allow a reasonable rate of return on investment devoted to public service. Under present accounting regulations, the ratepayer, if retirement losses were recognized, would be called on to provide a portion of the future capital requirements of the company. In addition, future rates for service would include annual depreciation, as well as a rate of return, on the portion of capital requirements thus supplied by the ratepayer.

Inasmuch as the Uniform System of Accounts, under which applicant keeps its books and records, makes no provision for the recording of retirement loss as a cost of operation, it is clear that should an allowance be made for

this alleged cost, the effect of such allowance would appear as earnings of the company on its books, on its reports to regulatory Commissions, as well as on its reports to stockholders. This in itself appears to be contrary to good accounting principles, for if the item were one of actual legitimate cost which was not recorded, the result would be that some of the earnings would represent a return of capital rather than a return on capital. It is interesting to note that the NARUC Committee on Depreciation in its 1943 report, at p. 90, stated: "The financing of replacements is not the purpose of depreciation accounting. Its purpose is to record as a cost of operations the pro tanto cost of property consumed therein, thus maintaining the integrity of the investment whether or not replacement occurs." To charge the so-called retirement loss to current expenses increases the cost of service to current ratepayers, while, as a matter of equity, any added cost resulting from increased cost of plant and equipment should be spread over the future period in which the higher cost plant and equipment is actually used in providing service.

There appears to be no reasonable justification for the alleged retirement loss item and it will be disallowed in its entirety.

Operating Expense Adjustments

[2] Although it is necessary to adopt a base period in order to measure the reasonableness of earnings as related to investment in facilities and equipment devoted to the public service, rate changes are not and cannot be made retroactive. Rate changes which are prescribed take effect in the future and it is, therefore, incumbent upon the Commission to make rates for the future, basing the need for additional revenue requirements upon conditions which are now existing or which are anticipated with reasonable certainty in the immediate future. Adjustments made by the company for the wage increase and for the increase in Federal income taxes fall into this category, since these were not in full effect during the base period and it appears correct to include the effect of such adjustments as if each had been a cost of operation during the period under review. There are other adjustments however, which the company has not reflected but which should likewise be taken into account.

The staff of the Commission submitted evidence with respect to additional adjustments to operating expenses which were urged to be necessary to reflect a number of changes which occurred during or subsequent to the base period. The staff enumerates six adjustments which are listed below, together with the dollar amount of each as related to the year ending April 30, 1951.

Item	Reduction in Expenses
1. Macon, Georgia, exchange conversion to dial	$711,510
2. Atlanta, Hemlock Central office conversion to dial	393,490
3. Application of current pension accrual rates	12,807
4. Application of current depreciation expense rates	43,003
5. Reduction in traffic expense—operator toll dialing	40,000
6. May, 1950, wage increase	(22,407)
Total Net Reduction	$1,178,403

In the staff testimony with respect to the above adjustments, it was emphasized that each are necessary in order

to reflect the current operations of the company. In the case of the Macon conversion, dial service was instituted to 24,000 main stations on May 12, 1951, subsequent to the base period ending April 30, 1951. The adjustments are alleged to represent reductions in operating expenses before Federal income taxes, but excluding the return element on the increased investment which is treated separately. In the case of the Hemlock central office conversion, service to over 7,000 main stations was placed on a dial basis on June 2, 1951, which was also subsequent to the base period. The adjustments for the Hemlock conversion are of the same character as those for Macon.

The adjustment for relief and pension expense represents the application of current pension accrual rates and the reduction of the interest rate applicable to the unfunded actuarial liability balance, both of which rates are currently in effect, but which were not in effect during the entire base period. The depreciation expense adjustment gives effect, according to the staff testimony, to revisions in depreciation rates currently applicable, and to correct for a retroactive depreciation expense entry in September, 1950, a portion of which was applicable prior to the base period. Anticipated economies in traffic expense during the current year resulting from expansion of operator toll dialing was advanced by the staff as the fifth adjustment shown. The last item represents an increase in expense to reflect the effect of the May, 1950, wage increase, one month of which was not included in the base period and which adjustment was not made by the company, but was alleged to have been offset by a change in depreciation expense. The specific adjustments advanced by the staff of the Commission were not extensively challenged by the company, although in rebuttal, a company witness offered contra-adjustments which will be discussed below. It appears that all of the above adjustments are reasonable and proper and are necessary to reflect current operations of the company, and will therefore be adopted.

In rebuttal, the company submitted evidence with respect to further operating expense adjustments in addition to those listed by the staff, and in addition to the wage and tax adjustments contained in the company's direct testimony. These are summarized as follows:

Item	Increase in Expenses
1. Increased expenses incident to increased investment per station for 30,000 nonfarm stations	$201,460
2. Deficiency in earnings before income taxes resulting from nine conversions	147,560
3. Deficiency in gross income resulting from adding 12,000 farm telephones	756,960
4. Omission of expense items on intertoll dialing	175,350
5. Increase in expense due to change in social security tax base	9,228
6. Increase in expense due to sales and use tax	106,618
Total increase in expense adjustments	$1,397,176

[3] It is recognized that there is some merit in the adjustments advanced by the company. In view of the fact that separate treatment will be given with respect to increased investment, there is no need in the above adjustments to incorporate any factor for investment or return thereon. The effect of this is to eliminate from items

2 and 3 the deficiency in return component and merely set forth the actual change in expenses, since it is expenses alone being dealt with at this point. Furthermore, item 4 above appears to represent expense items on operator toll dialing for combined service and it appears that only some 44.11 per cent of this item is chargeable to intrastate service under the current separations manual. It appears that the increase in expense due to change in the social security tax base and the increase in expense due to the recently enacted Georgia sales tax law are proper and should be considered in full. The revision of these adjustment items appears to make the proper total adjustment to intrastate operating expenses $700,-481. Deducting this as an offset to the staff adjustment of $1,178,403 results in a net decrease in operating expenses of $477,922 before income taxes, or approximately $223,168 reduction in operating expenses after giving effect to income taxes. This resulting adjustment will be adopted for the purpose of this case.

Rate Base

[4] The company in effect submitted three bases, (1) reproduction cost, (2) gross investment, and (3) net investment. Reproduction cost new, less depreciation as of April 30, 1951, was alleged to be $121,053,271; gross investment at April 30, 1951, was stated to be $119,434,709, and net investment at that date was shown as $95,929,837. The average gross investment for the year ended April 30, 1951, was $112,510,356 and net average investment for the period was $90,-414,756. Each of the above items includes telephone plant in service, telephone plant under construction, property held for future telephone use, telephone plant acquisition adjustment, materials and supplies, and cash requirements. The various alleged rate bases will be discussed first and the components thereof later.

This is the first case in recent years in which Southern Bell Telephone and Telegraph Company has submitted reproduction cost as a consideration. In each of the recent prior cases the company has restricted its rate base testimony to investment values. This Commission has not in recent years adopted reproduction cost as a rate base and in other instances where it has been advanced as a consideration the Commission has concluded that it did not warrant substantial consideration. It seems unnecessary to restate in this opinion the various reasons why reproduction cost is not a proper rate base, and why it appears to work an undue hardship on the public.

[5] Gross investment has been submitted by the applicant in prior cases as a consideration. While gross investment has merit, since it reflects the actual cost of facilities provided by the applicant, it fails to give any effect to accrued depreciation. In prior cases this Commission has found that the best measure of depreciation is the accrued depreciation reserve built up through charges to operating expenses in the past, less retirements charged thereto. Since past operating expenses have provided the depreciation funds, and since such funds have actually been invested in plant and equipment and represent a substantial part of the gross investment balance, it is only fair and equitable that the depreciation reserve balance be deducted from gross

investment in the determination of a proper rate base. This is net investment and is generally comparable to total invested capital which represents the actual funds which have been invested by the company to provide service to the public. For the purpose of this case, the Commission will adopt net investment as a rate base.

The company has urged the use of net investment at the end of the period along with business development at that time in the computation of the alleged increased revenue requirements. This has been urged to give more up-to-date effect to current costs of plant and equipment and to offset the alleged decreasing rate of return due to increasing average investment per station. It appears more proper, however, to treat the base period consistently and give separate effect to the high cost of construction element. Consistency, therefore, determines that the average net investment for the period should be used as a rate base and the business development at the middle of the period as the basis for computing rates to yield the determined increased revenue requirements. Average net investment will, therefore, be used in this case.

Rate Base Components

The net average investment for the year ending April 30, 1951, as developed in the record, was $90,414,756. Average components of this total average investment are as follows: [See next column.]

Item	Average Amount
Telephone Plant in Service	$109,177,214
Telephone Plant under Construction	1,460,971
Property Held for Future Use ..	11,206
Telephone Plant Acquisition Adjustment	116,439
Materials and Supplies	1,268,278
Cash Requirements	476,248
Total Gross Investment ..	$112,510,356
Reserve for Depreciation—Deduction	22,095,600
Net Average Investment..	$90,414,756

[6] There was no controversy with respect to the average balance for Telephone Plant in Service. This item will be included at the amount shown. The staff of the Commission, in its testimony, urged the elimination from the rate base of the remaining investment items listed above, with the exception of Property Held for Future Telephone Use. With respect to Telephone Plant under Construction, the staff based its elimination on the fact that the company capitalizes interest during construction, thereby providing a return on construction funds during the period in which they are used, which interest is included in the rate base as a cost of plant along with labor, materials, and other construction costs. The company included plant under construction in the base on which the earning requirement was computed and credited the interest charged in the current year against the total earning requirement, thus offsetting to some degree the inclusion of the item in the investment base.

There appear to be good reasons for eliminating plant under construction from the base on which the earning requirement is computed and at the same time eliminating the interest on the item as a credit to the earnings required. In the first place, during a year of unusually heavy construction activity the current ratepayers for whom the construction is not beneficial would be required to produce the dif-

ference between the interest rate and the rate of return found reasonable on such construction under the company's philosophy. Plant under construction is generally for the purpose of providing service to new subscribers, and those subscribers should pay the interest cost on the item. If interest is charged on the balance in the account and capitalized, it becomes a cost of the new plant, the interest becomes a part of the rate base on which a fair rate of return should be earned from the revenue from new subscribers; and in addition thereto, the subscribers benefiting from the additional plant should provide depreciation on such plant, including the interest component included therein. Considering these facts, it appears proper to eliminate plant under construction from the base upon which the total earning requirement is to be computed, and this treatment will be adopted for the purpose of this case.

[7] Property held for future telephone use is quite small in amount, being only $11,206 for Georgia intrastate operations. The staff of the Commission suggested that this item be included in the rate base in view of its imminent use in providing service. On cross-examination of the staff witness, the company endeavored to develop an inconsistency between eliminating plant under construction and including property held for future use. It was developed, however, that no interest was charged or capitalized on Property Held for Future Use, thus no return is realized on investments in this account unless it be included in the rate base, while on the other hand, the capitalization of interest on construction work provides a return on that item even though it be excluded from the base. There appears to be no inconsistency and property held for future telephone use will be included in the investment balance of the company for the purpose of this case.

[8] In submitting testimony concerning Telephone Plant Acquisition Adjustment, the staff urged that this should be eliminated for the reason that it represented a balance incurred many years ago and should have been amortized prior to this time. The balance in this account is not large, the average amount for the period being $116,439. The company contended that the balance should be retained for the reason that it represented an actual investment at arm's-length bargaining and further that the company had not been required to amortize the balance prior to the time the amortization began. It appears that this represents a legitimate investment and the remaining unamortized balance should be included in the investment base, and this will be done.

[9] With respect to Materials and Supplies and Cash Requirements, the staff urged their elimination on the basis that accrued taxes provided sufficient funds for these items of investment, which funds were not advanced by the company, but were provided from operating expenses charged in the past. Accrued taxes represent a source of capital to the extent of the balance remaining in the account at any time. A staff exhibit shows for each month from May, 1950, to April, 1951, inclusive, the amount of accrued taxes from which was deducted prepaid taxes and the resulting net accrued taxes, as compared with the total alleged working capital requirements

of the company, including materials and supplies. According to this exhibit, the actual net accrued taxes in each month substantially exceeds the total working capital requirements; in fact, the net accrued taxes appear to be more than double the company's alleged working capital requirements in every month shown. The staff computed a lower amount of requirement for Materials and Supplies than alleged by the company by eliminating from Materials and Supplies the unpaid for portion. However, the net accrued taxes substantially exceeds the working capital amount as alleged by the company, and the excess is even greater if the staff's adjustment to working capital be taken into account. On cross-examination, the company developed that under the new Federal income tax law, corporate income taxes would become payable on a more current basis and that this would substantially reduce the balance in the accrued tax account. While this is true, accrued taxes include other than income tax accruals, and even under the new tax law there will be some delay in the payment of income taxes subsequent to the month in which they are incurred. In view of the substantial excess of accrued taxes over working capital requirements, it appears that even under the amended tax act, accrued taxes will be sufficient to meet working capital requirements. Accordingly, working capital will not be included in this case, since these funds are provided through accrued taxes and have not been supplied by the company.

The average depreciation reserve balance for the year ending April 30, 1951, is deducted from Telephone Plant in Service, plus Property Held for Future Use, plus Telephone Plant Acquisition Adjustment to derive the average investment of the company during the base period. The average balance in Reserve for Depreciation was $22,095,600 which, when deducted from the above three items, leaves $87,209,259 as the net average investment on the above basis.

In further rebuttal to adjustments to operating expenses proposed by the staff, the company submitted testimony with respect to the increasing average investment per station and the corresponding declining rate of return with all other factors being equal. According to the company's testimony, net additions in Georgia during the year 1951 will total $13,-320,000, and that during the year 1951 the company anticipated a net station gain of 36,000 in Georgia. Company testimony further developed that the net average investment per station in service as of December 31, 1950, was $262.44, while the investment to provide service to the added stations would be at the rate of $370 per station. It was then alleged that rates designed to provide a reasonable rate of return on an investment per station of $262.44 would not provide a reasonable return on the added stations having an investment of $370 per station. With fixed flat rates for exchange service it was claimed that the effect of adding the higher cost stations gradually depletes the rate of return and that to fix rates without giving this factor consideration would mean that a deficiency in the prescribed rate of return would develop after the base period if averages for the base period are used as a basis for deter-

mining the rates prescribed. It appears that this effect will occur, although to a very small degree in a few months time. However, there is necessarily a lag in the regulatory process and often times as much as a year elapses between the middle of the base period in which the earning requirements are computed and the time when rates are fixed. Furthermore, if the allegation of the company is correct, the rate of return would continue to diminish as higher cost stations are put into service. It should not be necessary to have continual formal rate investigations and, therefore, if the company's allegation is recognized, it should be given effect for a definite period.

[10] Testimony submitted by the staff of the Commission also recognized this increasing investment per station and a definite proposal was submitted to give effect to this condition. The staff computed that 36,000 stations at the average investment per station of $262.44 as of December 31, 1950, would permit an expenditure of some $9,450,000 without increasing the average investment per station prior to that expenditure. Subtracting this amount from the proposed net additions of $13,320,000 results in an extra expenditure of some $3,870,000 in the year 1951 above that which would maintain the present average station investment figure. Of the $3,870,000, the staff estimated that $3,260,000 would be the intrastate portion, based on the over-all separation of telephone plant in service. This was stated to represent the excess investment at *current* cost levels above the average investment per station in service. It appears further that part of this item is represented by investments such as the conversion of the Macon exchange to automatic operation, the conversion of the Hemlock central office to dial service, and other investments of similar nature. It is pertinent that in making operating expense adjustments, the staff took into account operating expense savings related to items of this nature, but gave no effect to the investment component, stating that this would be included in the net additions which the company proposed to make and which would be taken into account in this manner.

It appears that this consideration has merit and should be included in the investment base of the company. Since one year has already transpired subsequent to the midpoint of the base period (October 31, 1950), the staff added the equivalent of two years' extraordinary investment in order to project this item somewhat into the future. The two years' projection appears to actually represent approximately one year from the present time. This should offset the apparent declining rate of return due to the increasing investment per station, and unless there is a substantial change in wages, taxes, or other costs of operation, should make it unnecessary for the company to seek a further increase in rates for some period of time. By adding the excess investment cost of $3,260,000 per year for two years or approximately $6,500,000 to the above base of $87,209,259, the result is approximately $93,710,000. The rates prescribed in this order will provide a reasonable return on this balance.

[11] Subsequent to the date when the record was closed, a modification of the separations procedures was pro-

posed by the Federal Communications Commission which was agreed to by the National Association of Railroad and Utilities Commissioners at its recent convention in Charleston, South Carolina. It is proper that whatever revenue requirements be computed in this case should be reduced by the amount which the proposed change in separation procedures will reduce the cost of furnishing intrastate service in Georgia. The Commission is advised that the proposed change will transfer $848,823 of net average investment during the year ending April 30, 1951, from state to the interstate jurisdiction and will, in addition, transfer $207,782 of operating expenses for this period also from the state to the interstate jurisdiction. It appears that the revenue requirements of Southern Bell in Georgia will thereby be reduced by $110,922 (including income taxes) as the amount of gross revenue required to yield a reasonable return on the $848,823 of transferred investment at the current 52 per cent Federal income tax rate, and 5½ per cent state income tax rate.

Since a credit to expenses in lieu of additional revenue does not include added revenue costs, such as gross receipts taxes and uncollectible revenues, the $207,782 expense reduction will reduce gross revenue requirements by $211,317. The sum of these two credits is $322,239 per annum lesser revenue requirements resulting from the change in the separations procedures. Prior to giving effect to this change, it appears that increased gross revenues are justified in the amount of approximately $3,825,200 and that after deducting the reduction due to the separations revision, the increased revenues required are found to be $3,503,000 per annum. The rates prescribed in this order should yield this additional gross revenue based on business development as of the middle of the base period. It must be kept in mind that more than half of the revenue produced by an increase in rates goes for Federal income taxes. Among the increased rates proposed by the company was the inauguration of a 10-cent charge for local calls from pay station telephones. All other rates for telephone service have been increased except this local coin-box rate. It appears that raising some of the revenue requirements from this source will make possible lower increases on subscribers of the company whose rates have been increased heretofore. At the present time, however, it seems that this increase in local coin-box rates should be restricted to the cities of Atlanta, Augusta, Columbus, Macon, and Savannah, and this order will so provide. The company testified that it would require some nine months within which to obtain and install the necessary equipment before the increased pay station rate could be made effective. To offset this delay, the company proposed to place a surcharge on rates for all other classes of telephone service until such time as the pay station increase could be made effective. It does not appear that such a surcharge is desirable and another provision will be made for this delayed increase in revenue.

Among other proposals which the company submitted was an extension of the base rate areas in practically every exchange in the state equivalent to a revenue reduction of $274,900 per annum. It is the opinion of

the Commission that the base rate areas should be extended somewhat more than as proposed by the company, to the extent that the extensions will be equivalent to a revenue reduction of $318,200 per annum. Increased revenues resulting from the rates prescribed in this order are sufficient to cover this amount of reduction due to base rate area extensions. Since there is a delay in the revenue to be obtained from the 10-cent local coin-box rate, it appears that the base rate area extensions should be delayed a reasonable length of time. It does not appear, however, that this delay should be as much as nine months, but that six months should be an adequate time within which the company should be able to inaugurate the 10-cent pay station rate. This order will, therefore, provide for an extension of the base rate areas effective May 1, 1952, with the proposed extensions to be submitted to the Commission in advance for review, revision, and approval.

The record in this case discloses that there are still a substantial number of held orders for service, a condition existing since World War II. Although the company has expanded its facilities and equipment to a great extent over the past six years, it has not yet provided the facilities necessary to place orders for service on a current basis. The record also discloses that company purchases of materials and equipment from Western Electric Company (its sole supplier) have diminished from $93,678,000 in 1948 to $79,437,000 in 1950 or a reduction of about 15 per cent. These purchases are for the company as a whole, but no evidence was submitted to show that the purchases for Georgia were not reduced to an equivalent degree. Furthermore, the Western Electric witness on cross-examination, stated there is no appreciable lag in any orders for equipment because of insufficient materials. He also stated that the only reason for the over-all decrease in production in the past few years has been the decrease in orders.

This leads to the conclusion that the company has decided to reduce its construction program at a time when service orders are still substantially delayed. The earnings which the rates herein authorized will produce should be entirely adequate to justify even an acceleration of construction, and the Commission will expect the company to expedite and increase its construction program to the end that service orders will again become current in the near future.

Based on the record in this case, it appears that an increase in gross revenues of Southern Bell Telephone and Telegraph Company for service rendered in Georgia is justified. Wherefore, it is

Ordered that the schedule of rates and charges set forth in the Appendix hereto attached [omitted herein] and made a part hereof shall be the maximum rates for each of the classes of service or equipment specified, and that the rates for exchange telephone service for each of the groups of exchanges listed in the Appendix shall be the maximum rates for exchange service for each of the exchanges in each such group.

Ordered further that the schedule of toll rates now in effect shall be the

maximum rates for intrastate toll service within the state of Georgia.

Ordered further that the exchange rates and charges prescribed herein shall become effective on bills rendered on and after November 15, 1951, except the increase in the rate for local pay station calls from 5 cents to 10 cents per call shall be made effective simultaneously in Atlanta, Augusta, Columbus, Macon, and Savannah when the company completes the installation of necessary equipment to permit this change in rate. Adequate notice shall be given to the public at least two weeks in advance of such change and the Commission shall also be notified at least two weeks prior to the date when it is planned to make the change effective.

Ordered further that the company shall submit revised base rate area extensions to the Commission which will reduce revenues from exchange line mileage charges by not less than $318,000 per annum, based on the service development as of October 31, 1950, and that such changes in base rate areas as approved by the Commission shall be made effective on the date when the pay station local call rate is increased to 10 cents, or on May 1, 1952, whichever is earlier.

Ordered further that Southern Bell Telephone & Telegraph Company shall file with the Commission amended general exchange and local exchange tariff sheets in conformity with the provisions of this order.

McDonald, Commissioner: I am unable to concur in the majority opinion which grants to Southern Bell Telephone and Telegraph Company an additional rate increase in the total amount of $3,810,000. This means that the Southern Bell subscribers in Georgia have had their rates increased since February 1, 1948 (there having been four previous rate increases), in the total sum of more than $11,000,000. In addition to toll or long-distance rate increases which have widened the disparity of intrastate toll rates over interstate long-distance rates, monthly subscriber rates have been increased anywhere from 40-odd per cent to more than a 100 per cent, the business rate in Atlanta having gone from $7.50 to $15.

I heartily disagree with the decision of the majority of the Commission which is based on a finding that Southern Bell is entitled to earn a return of 6 per cent on a net rate base of $93,592,820. In the first place the record in this case fully supports the correctness of the rate base as found by the Commission's staff of $87,-092,820. Indeed the opinion of the majority accepts this amount as today's true valuation of the company's properties devoted to the public use for the purpose of establishing a rate base. The majority have, however, added a fictitious $6,500,000 to this valuation of actual property with a resulting additional $390,000 of net annual revenue, upon the supposition and speculation that during the next two years the company's added investment per added telephone will exceed its present average investment by this amount. This practice is, in my opinion, to be condemned because it is speculative and because it also assesses present subscribers to insulate the company from future adverse economic affairs. On principle I can see no difference between this practice and the

practice of raising rates in this year because last year's operations fell short of providing a proper return. This means, therefore, that the Commission has allowed the telephone company to exact from its subscribers approximately $780,000 as earnings upon $6,500,000 of froth and foam which stands for not a dollar of investment or property. The Commission's responsibility and the ultimate result sought in any rate investigation is to provide a fair return on *dollars* devoted to the public service under honest and efficient management. The record in this case discloses that the average invested capital on which American Telephone and Telegraph Company, the owner of the property, is entitled to make a return is $86,184,569. It will be noted again that the rate base found by the Commission exceeds the dollars invested by approximately $7,500,000.

In the second place, the rate of return allowed on this excessive valuation is not supported by the record. The evidence of the Commission's staff showed conclusively that an over-all 5.5 per cent return on Bell System operations would fully support the American Telephone and Telegraph Company $9 dividend, provide an adequate surplus, and attract capital for future expansion over the years. American Telephone and Telegraph Company has purposely held down the debt ratio of its subsidiary operating companies in order to load the state operation with the major burden of Federal corporate income taxes; but if we assume a more proper and equitable capital structure of 48 per cent debt capital at the present bond interest rate of 2.81 per cent and allow a return of 8 per cent on the remaining 52 per cent equity capital then the record in this case shows conclusively that a 5.5 per cent rate of return is entirely adequate.

It is worthy of note here that the Public Service Commissions in the states of South Carolina, Kentucky, New Jersey, New York, and others have within the past few months denied in full the applications made to them in this latest round of Bell rate increase petitions on the finding in each instance that a return of 5.5 per cent was adequate to provide a return on the property invested and at the same time support the American Telephone and Telegraph Company structure.

The Commission's small staff and Assistant Attorney General Blackshear deserve commendation and the very highest praise for the herculean task accomplished in the preparation and presentation of the staff showing but obviously our small force could not cover every phase of this highly intricate and involved business and fully cope with the veritable army of experts representing the company. It is unfortunate that available outside experts were not employed at the little cost that it would have entailed in order to have gone into every phase of the company's operation. The presentation of the staff contained, among other things, a study which supported the disallowance of $477,922 in operating expenses claimed by the company. Unquestionably a study of other phases of the company's expenses, such as depreciation, pension expense accruals, Western Electric prices, and other items would have justified the disallowance of additional expenses

and enabled the Commission to have followed the action of the other states above referred to.

In the earlier above-mentioned rate cases before this Commission as well as in the present case, the Commission heard much from the company about its need for increased rates in order to continue its program of expansion but we find today that there are as many would-be telephone users who are unable to get telephone service as there were at the time of the first rate increase in 1948. It is rather obvious that the company is pursuing a policy of caution with respect to plant expansion born doubtless of its distrust in the permanence of our present economic well being. There is no justification, therefore, for this argument and furthermore there is no basis for the contention that rates of present subscribers should be increased in order to provide plant expansion for new subscribers.

For these and other reasons, I am unable to concur with the majority and file this my dissenting opinion.

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Re Public Service Company of New Hampshire

D-R3158, Order No. 6019
November 29, 1951

APPLICATION *for temporary electric rate increase pending the establishment of permanent rates; temporary increase authorized.*

Rates, § 630 — Temporary rates — Electric company — Surcharge on bills.
An electric company was granted a temporary rate increase in the form of a surcharge on each electric bill rendered for prime power, except street lighting, of 5 per cent of the amount of the bill exclusive of fuel charge, pending the establishment of permanent rates.

Rates, § 630 — Temporary rates — Factors considered.
Statement, in dissenting opinion, that in fixing temporary rates the Commission should consider only actual results adjusted for factors known to be operative during the period in which such temporary rates are in effect, p. 121.

(THORNTON, Commissioner, dissents.)

APPEARANCES: Franklin Hollis, for the petitioner; Gordon M. Tiffany, Attorney General, and John N. Nassikas, Assistant Attorney General, in

the public interest; Eugene S. Daniell, City Solicitor, for the city of Franklin; Robert P. Bingham, for the Office of Price Stabilization; Michael Botelho, for the Textile Workers Union of America, C.I.O. and the New Hampshire State Industrial Union Council, C.I.O.; Daniel J. Gallagher, for the Textile Workers Union of America in the Manchester-Suncook area.

By the COMMISSION: By this petition, as originally filed on October 19, 1951, the Public Service Company of New Hampshire, a corporation duly organized under the laws of this state and operating as a public utility engaged in the production, transmission, distribution, and sale of electric energy throughout this state, sought a finding by this Commission that an emergency existed within the purview of R. L. Chap 292, § 9, and, acting under said section, authorize the company to make effective forthwith a surcharge on each electric bill rendered for prime power, except street lighting, of 7 per cent of the amount thereof, exclusive of fuel charge, said surcharge to continue until permanent rates become effective as a result of the rate filing made contemporaneously herewith.

On October 19, 1951, the company also filed a complete new tariff identified as N. H. P. U. C. No. 5, proposed to become effective on November 20, 1951, which would result in an annual rate increase estimated to amount to $1,599,571. On November 6, 1951, this Commission, by its Order No. 6002, suspended the effective date of this new tariff until otherwise ordered by the Commission. This permanent rate filing, and the Commission's suspension order relative thereto, is noted as a matter of record, inasmuch as the subject matter under discussion herein affects rates to be established for the interim period until the matter of the permanent rates have been heard and adjudicated by the Commission.

On October 19, 1951, the Public Service Company likewise filed a petition seeking authority to issue 235,-809 shares of the company's common stock. Hearing on this petition was held in Concord on November 28, 1951, and the authority sought was granted by this Commission's Order No. 6013. The filing of this petition, and the Commission's action thereon, is also noted inasmuch as it is closely associated with the petition herein under discussion.

The petition, as originally filed under the emergency rate statute, raised some doubt in the minds of the Commission as to whether, upon the allegations of the petition, it could find that an emergency existed within the meaning of the statute cited. Consultation with the attorney general disclosed that a like doubt existed in his mind. Accordingly, on October 25, 1951, this Commission certified the following question to the supreme court for its opinion: "Whether, upon the allegations of the petition, and its accompanying exhibits, the Commission may find that an emergency exists within the meaning of § 9 of Chap 292 of the Revised Laws, as inserted by § 46 of the Session Laws of 1951." (84 A2d 177.)

On November 5, 1951, the supreme court rendered a divided opinion, two of the justices who heard arguments on the question ruled that the Commission could find that an emergency

existed, and two of the justices who heard the arguments ruled that the Commission could not find that such an emergency existed.

In view of this divided opinion, the Commission decided not to take jurisdiction with respect to the petition for emergency rates and, on November 6, 1951, so notified the petitioner, indicating, however, that it would receive an amendment to the petition changing the petition to one for the establishment of temporary rates.

On November 6, 1951, the petitioner filed an amendment to its original petition for emergency rate relief, the prayer of which cited:

"Wherefore the company prays that the Commission enter an order authorizing it to make effective its presently effective schedule of rates, together with a 7 per cent surcharge as set forth in Paragraph 10 of the petition as temporary rates without bond in pursuance of Rev Laws, Chap 292, §§ 27, 29, and 30 as amended."

On November 7, 1951, a conference was held with all interested counsel, at which a calendar and a method of procedure were established. Public hearings were held on November 8th, 9th, 13th, 14th, 21st, 26th, and 27th. Public hearings were suspended on November 14th, and the period from that date until November 20th was occupied by continuous conferences between interested parties and the Commission accountant, resulting in a stipulation which will be referred to later herein, and which materially shortened the proceedings. This conference was held to adjust the differences in the accounting and estimates existing between the company's computations and those of the Commission staff, with reference to the Commission's predicted results for 1951 operations in the report accompanying the Commission's Order No. 5937 of July 6, 1951, granting the company a rate increase of $600,000 per annum.

The company represents that in order to meet an increasing demand for electric energy, and to provide reasonable reserves, it is making additions to its generating transmission, distribution, and other facilities. It estimates the cost of these additions for the last four months of 1951 and all of 1952 to be approximately $14,785,000 and substantiates this with exhibits showing a detailed list of the proposed construction.

In order to finance this construction and to liquidate present short-term bank borrowings incurred to finance past construction, the company must engage in financing, mostly of a permanent nature, which, during the fifteen months ending December 31, 1952, should provide not less than $17,000,000 of additional capital. Of this amount at least $3,000,000 must be, and $5,000,000 should be, obtained from permanent financing before December 31, 1951.

At the time of the filing of the instant petition, the company had outstanding short-term borrowings in the form of unsecured bank loans aggregating $4,250,000. If the additional cash required by the end of 1951 to finance construction is not obtained from the sale of bonds or other form of long-term debt or capital stock, the only possible source of this money is bank loans which would then aggregate $7,250,000 at the end of 1951.

The company submits that it cannot market additional bonds in ad-

equate amounts because it does not have the issuing capacity under the terms of the indenture securing its presently outstanding bonds. Furthermore, the present high ratio of the company's funded debt to its total capitalization is such that if any substantial portion of the required additional capital were obtained from either bonds or debenture, the status of the company's bonds as legal investments for fiduciaries would be jeopardized. In view of the company's capital structure and current condition, it is inadvisable to attempt to sell additional preferred stock. Therefore, the only remaining vehicle for raising additional capital at present is the sale of common stock. This the company proposes to do in order to improve its capital structure.

The company submits that if it does not secure immediate rate relief facilitating the issue of additional common stock before the end of 1951, it will be difficult to renew existing bank loans when due, and it will be left with no means of securing the cash necessary either to complete construction now underway, or to start new construction. The company maintains that if its common stock is not marketed successfully before the end of 1951, it will have to curtail drastically its construction program which will result in immediate losses to the company, and future losses both to the company and to the public. For this reason the company filed, concurrently with the instant petition, a petition seeking authority to issue 235,809 shares of common stock from which it hopes to net at least $5,000,000.

The company represents that the estimated results of the operations of its electric department for the year 1951, based upon eight months' actual operations when adjusted to reflect the rate increase granted by this Commission's Order No. 5937 of July 6, 1951, for the full period, show a rate of return of 5.09 per cent. The company further represents that if the results of operations for the twelve months ended August 31, 1951, were adjusted to reflect average water conditions for the first eight months of 1951, instead of the abnormally good water year which actually prevailed, would reflect a rate of return of 4.81 per cent. If such estimated results are further adjusted to reflect a 52 per cent Federal income tax rate and the elimination of the Federal energy tax, these rates of return become 4.89 per cent and 4.77 per cent, respectively.

In brief, the company submits that when results of operations for 1951 are adjusted to reflect current or prospective Federal taxes with average water under present rates, the rate increase effective August 1, 1951, falls short of producing the 5.41 per cent rate of return for 1951 which the Commission expected would enable the company to improve its capital structure by the issuance of common stock.

The company submits that for the reasons set forth above it requires an immediate temporary rate increase to yield additional gross revenues in the amount of approximately $979,504. It claims that this result should be accomplished by a temporary percentage surcharge on each electric bill rendered for prime power, except for street lighting, in the amount of 7 per cent (exclusive of fuel charge) of each such bill.

The attorney general, appearing in

the public interest, submits that the company is entitled to some temporary rate relief, but maintains that such relief should not be in excess of $464,000 per annum, basing this figure on the grounds that no allowance should be made for abnormally good water.

Counsel for the city of Franklin, appearing in opposition to the petition, allows that the company is entitled to a temporary rate increase in the amount of $300,000 per annum.

Counsel for the only other recorded opposition to the company's petition admitted that the company is entitled to some temporary rate relief but asked that it be held to a minimum amount, consistent with the evidence submitted.

None of the parties mentioned in the three paragraphs immediately above offered any serious objection to the petitioner's prayer that the temporary rates sought be allowed to become effective without bond, in view of the company's admitted financial resources.

The petitioner presented one qualified witness who testified in substantiation of exhibits reflecting the company's rate base, income and expenses, and rate of return; one witness who testified to the prospects of a favorable reception by the investing public to the company's proposed common stock issue; and one witness who testified as to the difficulty the company could expect to experience in renewing its outstanding note indebtedness.

The attorney general, acting in the public interest, presented Charles W. Smith, chief of the bureau of accounts, finance, and rates of the Federal Power Commission. Mr. Smith testified in the last rate proceeding of the company before this Commission to the effect that a 5.2 per cent rate of return was just and reasonable, in view of the company's then capital structure, but that a 5.5 per cent rate of return would be reasonable if, and when, the company reduced its debt capital. The Commission is particularly impressed by Mr. Smith's testimony in the instant case, that when the common stock financing which the company presently proposes, and which has been authorized by this Commission, becomes an actuality, the 5.41 per cent rate of return in this temporary rate case as requested by the company would be just and reasonable.

A summarization of the more important figures agreed to by all parties in the stipulation referred to heretofore, and henceforth, is as follows:

Operating Revenue—Actual for 10 months and estimated for 2 months, adjusted to reflect the August 1st rate increase for the first 7 months, including an estimated additional revenue attributable to increase in consumers and use for 9 months of 1951 ..	$16,256,628
Operating Expenses—Actual for 10 months and estimated for 2 months	12,460,239
Net Electric Operating Income before Income Tax Adjustment	$3,796,389
Adjustment for 52% Federal Income Tax and Elimination of Federal Energy Tax	61,134
Net Electric Operating Income ..	$3,735,255
Rate Base—Average Net Plant for the year 1951 plus $2,530,000 allowance for working capital, less the Jacona Reserve and the unpaid balance due General Electric Company on the Schiller Plant	$73,164,763

This Commission's decision, as announced in its Order No. 5937 of July

6, 1951, authorizing the company to increase its rates so as to provide additional annual revenues in the amount of $600,000 was based, to a considerable degree, upon the testimony offered in that case by Charles W. Smith. In summary, this testimony was to the effect that, based upon the then capital structure of the company, a 5.2 per cent rate of return was just and reasonable. Mr. Smith testified further, however, that if the debt ratio of the company's capital structure was lowered, a 5.5 per cent rate of return would be just and reasonable. The Commission based its 5.2 per cent rate of return finding on the company's operating results for the year 1950, with the Schiller Plant in operation for six months, with the expectation that earnings would be in excess of a 5.2 per cent rate of return per annum, when the Schiller plant was in full time operation. The Commission believed that the company's 1951 operation, normalized for a full year, would result in a 5.41 per cent rate of return, and so stated in its report accompanying Order No. 5937.

For various reasons, particularly the increase in Federal income tax from 47 per cent to 52 per cent, and the cancellation of the Federal energy tax, the company's income for 1951, normalized, failed by $222,958 to attain the Commission's estimated annual income of $3,958,218, even under the prevailing exceptionally favorable water conditions. This amount of $222,958 is computed from Exhibit 9, sheet 2, offered by the company, and consisting of an estimated income statement for the year ending December 31, 1951, showing the effect of the adjustments agreed upon by stipulation hitherto referred to, giving effect to income tax at the rate of 52 per cent and the elimination of the energy tax for the full year, based upon actual earnings for ten months and estimated earnings for two months.

In arriving at its conclusion in this case, the Commission has given careful consideration to the question of adjusting the results of operations for 1951 to make allowance for the beneficial effect upon such results of the excellent water conditions that have prevailed this year. There can be no doubt but that the effect of water conditions on operating results must be completely and thoroughly explored in establishing permanent rates to the end that permanent rates will be sufficient to allow the company to earn a reasonable return under average or normal water conditions, and thus permit the company to accumulate earnings in times of good water to help out in times of bad water. This question will be thoroughly explored during the hearings on the permanent rates.

The time element in this temporary rate case has been such as to prevent a thorough exploration of the amount by which the earnings of the company have been affected during 1951 by good water conditions. The Commission does not mean to criticize the company's computations of the effect of good water, as shown in the exhibits, or the methods employed by the company in making such computations, nor does it accept them.

As pointed out in New England Teleph. & Teleg. Co. v. State (1949) 95 NH 515, 82 PUR NS 296, 68 A2d 114. "Temporary rates are to be established under Rev Laws Chap 292, §§ 28, 29, with expedition and without

such investigation as is required for the determination of permanent rates; . . . ." In this case, the Commission has taken an arbitrary figure of $100,000 as an adjustment for water. This seems to remove the need of any revision of this temporary rate as was suggested in the stipulation until the average water study has been completed, as we do not accept any "average water" as finally established herein.

Equating this adjusted net electric operating income of $3,635,255 to the stipulated rate base of $73,164,763 leaves a net amount of income to be produced, which is $322,959 short of that necessary to attain a 5.41 per cent rate of return. To this amount it is necessary to add $359,872 to provide for Federal income tax at the rate of 52 per cent. This results in a total of $672,831 of gross operating revenue required. This figure, as stated in the stipulation, may be adjusted in the permanent rate case if the final figures for the year 1951 differ from $3,796,389, as shown in petitioner's Exhibit No. 9, sheet 2, column 3.

In view of the above-recited considerations, this Commission finds that under existing circumstances the petitioner is entitled to a temporary rate increase in the form of a surcharge on each electric bill rendered for prime power, except street lighting, of 5 per cent of the amount thereof, exclusive of fuel charge. The revenue against which this surcharge is applicable is estimated to be $14,074,717, resulting in a maximum increase of not over $703,736. This temporary rate may become effective without bond, to continue in effect until permanent rates become effective as the result of a rate filing now under consideration by this Commission. Our order will issue accordingly.

THORNTON, Commissioner, dissenting: It appears from the evidence of witness Smith that the petitioner, by reason of the impending issuance of common stock, and its effect on the company's debt ratio and accompanying cost of money, is entitled to a rate of return of 5.41 per cent. Considering the revenues, expenses, and rate base stipulated by all counsel, as set forth in Exhibit No. 9, and applying the above rate of return, I arrive at the amount of $464,498 as the temporary relief that I believe should be allowed at this time.

In fixing reasonable temporary rates, I believe that the Commission should consider only actual results adjusted for factors known to be operative during the period such temporary rates are in effect.

Therefore, I cannot agree with my colleagues in their computation in this temporary case of an allowance to the company for "average water," or that we have any grounds for findings as to abnormal or average water, as in my opinion the evidence on this point is inadequate and inconclusive. I believe that this subject should be thoroughly expored in the permanent rate case and proper allowances made therefor at that time.

ORDER

Upon consideration of the foregoing report, which is made a part hereof; it is

Ordered, that the Public Service Company of New Hampshire be, and hereby is, authorized to make effective forthwith, a surcharge on each electric

bill rendered for prime power, except street lighting, of 5 per cent of the amount thereof, exclusive of fuel charge, said surcharge to continue until permanent rates become effective as a result of a rate filing now under consideration by this Commission.

IDAHO PUBLIC UTILITIES COMMISSION

Re Pacific Telephone & Telegraph Company

Case No. U-1001, Order No. 2104
October 24, 1951

APPLICATION *by telephone company for authority to increase rates; modified rate increase authorized.*

Valuation, § 39 — Current cost appraisal — Telephone company.

1. A current cost appraisal was not accepted as a proper rate base for a telephone company, since it would be unfair to the consuming public to require them to pay rates providing an adequate return on an investment not actually made, p. 124.

Return, § 22 — Balancing of investor and consumer interests.

2. The Commission, in calculating a fair rate of return for a telephone utility, must balance the investor and consumer interests so that from an investor's standpoint the return is sufficient to assure confidence in the utility and enable it to attract the capital necessary to carry on its expansion and construction program, and so that from a consumer's standpoint such return will not place an unfair burden on people who have not been able to increase their income as rapidly as the rise in cost of living during an inflationary period and are limited in the amount they can pay for service, p. 124.

Return, § 41 — Intercorporate relations — Telephone company.

3. A fair return for a telephone company which is part of a nation-wide system cannot be determined without considering the company's relationship to its parent company, p. 125.

Return, § 111 — Telephones — Conversion to dial operation.

4. Rates which would provide a telephone company with a return of $7\frac{1}{2}$ per cent were not considered fair and reasonable to subscribers, where it appeared that the earnings of the company would be improved upon completion of the installation of dial operation, p. 125.

Return, § 111 — Telephones.

5. A telephone company's return of 5.96 per cent on its rate base was considered reasonable, p. 125.

Apportionment, § 7 — Telephone revenues and expenses — Separations manual.

Statement that the separations procedures outlined in the NARUC Separations Manual would be used in order to separate a telephone company's

revenues and expenses between intrastate and interstate service even though such manual has not received official approval, p. 123.

By the COMMISSION: On December 25, 1950, the Pacific Telephone & Telegraph Company, hereinafter referred to as the company, filed an application with this Commission for authority to increase their telephone rates in the state of Idaho.

On April 30, 1951, the Commission set the above-entitled matter for hearing at the district court rooms at Lewiston, Idaho, for the 5th day of June, 1951. Said notices of hearing directed that all evidence of both the company and any protestants that might appear should be presented during the hearing so ordered, and that all cross-examination and rebuttal of counsel be made at that time without further recess.

Pursuant to notice of hearing being given, the hearing began at 10 A.M., on June 5, 1951, in the district court room at Lewiston, Idaho, and continued through June 7, 1951, at this time the presentation of evidence having been concluded the hearing was closed, but the record was held open pending the submission of a brief and rebuttal by protestants, and an answering brief by the company. The brief's having been submitted, the record is now closed.

The hearing was held before the full Commission, with President H. N. Beamer presiding, and the following appearances were entered:

O. B. Rupp and John M. Rupp, Seattle, Washington, and Marcus Ware, Lewiston, appearing on behalf of the applicant; R. E. Larsen, Utilities Auditor and Stephen L. Guice, Secretary, Boise, Idaho, appearing on behalf of the Commission; Maurice H. Greene, Boise, appearing on behalf of the Lewiston Chamber of Commerce, Grangeville Chamber of Commerce, Lion's Club, Pomona Grange of Lewis and Idaho counties, Junior Chamber of Commerce, Grangeville, Kamiah Chamber of Commerce, Kamiah Grange, Kamiah City Council, Lapwai City Council and Commercial Club, Winchester City Council and Winchester Grange, and Farmers Union Local No. 429 of Nezperce County, protestants.

Pacific Telephone & Telegraph Company is an operating unit of the American Telephone and Telegraph Company, which company on December 31, 1950, controlled through stock ownership 89.52 per cent of the Pacific Company.

In its presentation, the company submitted two methods for determining the value of the Idaho intrastate investment for rate-making purposes. The first method was by the use of the average book investment for the year 1950, plus working capital and average depreciation reserve. These figures were presented for total Idaho and to these book figures there was applied the separations procedure as outlined by the National Association of Railroad and Utilities Commissioners and Federal Communication Commission's special co-operative committee on telephone regulatory problems. By this method, the company determined the value of the intrastate investment. We have used these separations procedures in several rate matters involving Bell System Companies, and

although we have not officially approved this Manual, we know of no other way of separating revenues and expenses between intrastate and interstate service.

Applying these separations procedures to the primary accounts as carried in the accounting records of this company, it was determined that the intrastate investment average for the year 1950 was $1,327,436.

[1] The second method presented by the company was what it termed its current cost appraisal for the company located in the state of Idaho. This method assumes the reconstruction of the plant and equipment on an as-built basis, that is, the appraisal assumes the same type of construction as when the existing plant was originally placed. Labor costs were based on the force make-up and efficiency at the current level effective on December 30, 1950, and at current construction and installation methods. This method increased the value of the Idaho plant 152 per cent over the total book cost and placed a value of $2,576,800 on total state, and $2,017,800 for the intrastate portion.

We agree with the company that as the old originally placed plant is replaced by new plant under today's cost, the actual book investment will eventually equal the current cost appraisal value. We cannot, however, at this time use appraisal cost for our rate base for it would be unfair, to the consuming public to force them to pay rates to provide an adequate rate of return on an investment that has not been actually made. We, therefore, determine that the base on which the company should be allowed a return to be $1,327,436 as of December 31, 1950.

In its Exhibit No. 11, the company presented its results of operations for the year 1950, actual and recast. The actual results were those that were actually booked without making any adjustments for known changes that had occurred during the year 1950. The recast results were those that resulted after adjusting for all known changes that occurred during the year restating the book results to this level. These adjustments included the restating of revenue for a full year under the rates that became effective in the early part of 1950; restating the depreciation expenses to reflect the lower rates that became effective on January 1, 1950, to reflect the July and August, 1950, wage adjustments; to reflect the broader base of social security taxes; to reflect the adjustments of Federal income taxes from 42 per cent to 47 per cent. With these adjustments made to the actual book results, the company had net operating income on its intrastate operations for 1950 of $40,640. This income resulted in a return of 3.06 per cent on the intrastate rate base as it has been heretofore determined.

The increased rates as proposed by the applicant in this proceeding are designed to produce revenues which after deducting expenses and taxes would produce a rate of return of 7½ per cent on the average net book investment rate base.

[2] In calculating a rate of return the Commission must "balance the investor and the consumer interest." On the investors side, we must provide enough revenue for the capital costs and expenses of the business. The

capital costs include service on debt and dividends on the stock. These returns should be sufficient to assure confidence in the utility so that it may attract the necessary capital to carry on its expansion and betterment construction program. On the consumers side consideration must be given to his ability to pay, during this period of inflation many people have not been able to have thier incomes increased as rapidly as the cost of living and are limited in the amount they can pay for telephone service.

The applicant contended in its application that this return was necessary for it to acquire the vast amounts of new capital from investors to carry on its current construction program for the betterment of telephone service throughout the Pacific coast area. For the period January 1, 1947, to December 31, 1950, the company carried on the greatest construction program in its history. In order to finance this construction program, the company issued and sold in excess of $491,000,000 of permanent financing. This financing was accomplished during a period when the return on the applicant's total capital was 3.24 per cent for 1947; 4.78 per cent for 1948; 4.69 per cent for 1949; 5.97 per cent for 1950.

[3] The applicant further contended that it is necessary for it to earn 7½ per cent in order that its earnings may be sufficient to attract about a third of the new capital that it has previously obtained with much lower earnings. The 7½ per cent was arrived at by adding the requirements of the debt, the preferred dividends and a $12 earnings per share of common. The $12 earnings is for an $8 dividend and $4 to be retained in surplus. With this earning it was estimated the stock would have a market value of about $125 per share and would be high enough so that there could be a 10 per cent or 15 per cent underpricing on new issues. This calculation was for the company alone, and did not consider its relationship to the Bell System. We do not think that in this type of a showing you can consider this company as if it were divorced from the giant monopoly which owns and controls it, operates between 80 per cent and 90 per cent of all telephones in the United States, and owns its own manufacturing plant, which furnishes practically all of its material and equipment.

The Commission has given consideration to the fact that dial development has been progressing in every state except Idaho. As of December 31, 1950, the number of stations receiving dial service to the total company owned stations are as follows:

California	87.94%
Idaho	.25%
Oregon	84.78%
Washington	84.50%
Total Company	86.92%

[**4, 5**] That there are certain operating savings in dial operation is not disputed, the only question being the amount. This saving varies with each exchange so converted and no set rule can be adhered to in this respect, and no definite amount can be calculated with certainty until the exchange has been converted to dial, and there is a period of operation during which time the saving may be calculated. That there will be some reduction in operating costs in the state of Idaho

when the exchange at Lewiston is converted to dial can be assumed from a comparison of the per station cost of the total company to total Idaho.

It is our opinion that the earnings of the applicant will be improved with dial operations in Idaho, and to allow rates to become effective now that will produce the 7½ per cent rate here applied for would not be fair and reasonable to the subscriber.

It is our conclusion that the company should for the present be allowed a rate increase that will produce a rate of return that is adequate to meet its capital requirements and has been the average earnings for the company since 1925, we will therefore, allow a rate increase that will produce a return of 5.96 per cent on the rate base that has heretofore been determined. Therefore, the company should be allowed increased gross revenue after giving effect to the tax adjustment of $73,440 per year.

Findings

Upon consideration of the entire record, including all exhibits and testimony, the Commission now finds:

(1) That the Pacific Telephone & Telegraph Company is engaged in the business of furnishing telephone service for hire within the state of Idaho, and is a telephone company and a public utility, and as such is subject to the jurisdiction of this Commission.

(2) The Pacific Telephone & Telegraph Company has failed to receive during the year ending December 31, 1950, a rate of return that is just, fair, and reasonable, and sufficient on its Idaho intrastate operations.

(3) That a rate of return of 5.96 per cent on the fair value of rate-making purposes on the Idaho intrastate investment is required.

(4) That the company is entitled to a fair return on a rate base in the amount of $1,327,436. Said amount represents the original cost of the company's property devoted to intrastate telephone service in the state of Idaho, plus working capital less the allocated depreciation reserve applicable thereto as of December 31, 1950.

Order

It is therefore *ordered,* that the Pacific Telephone & Telegraph Company submit tariffs for the Commission's approval that will increase its revenues in the amount of $73,440 per year.

That said tariffs as to toll rates are to become effective on the date of our approval thereof, and as to exchange rates on billing dates subsequent to our approval thereof.

The Commission anticipates that the increased schedule of rates will produce a return of 5.96 per cent on the rate base set forth herein, however, the Commission will expect the conversion and improvement construction program to continue and specifically retains jurisdiction herein for one year following the first billing date used hereunder in order that the Commission may be permitted to study the results of this order.

That the Pacific Telephone & Telegraph Company shall furnish this Commission reports of revenue, operating expenses, and investments in

telephone plant for both intrastate and total state for each month, as soon as may be reasonably practicable and convenient after the end of each calendar month during the period this order remains effective.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Elvin T. Bean et al.

v.

Noxen Water Company

Complaint Docket No. 15369
October 22, 1951

MOTION *to dismiss water company's answer to complaint against proposed rates; granted.*

Pleading, § 3 — Motion to dismiss — Answer — Improper verification.
A motion to strike out a water company's answer to a complaint against proposed water rates was granted where the answer was by letter and thus was not verified by the form of affidavit as set forth in the Commission's rules of practice.

Pleading, § 9 — Motion to strike out answer — Academic question.
Statement that although a motion to strike out a water company's answer to a complaint against proposed rates would be granted because of improper procedure, the problem is academic when the complaint was filed a month prior to the proposed effective date and the company would have the burden of proving that such rates are just and reasonable whether the answer be stricken or permitted to stand, p. 128.

By the COMMISSION: This matter comes before us upon the motion filed by counsel for complainants in this proceeding to strike off the answer to said complaint filed by respondent water company on September 11, 1951.

On August 31, 1951, Elvin T. Bean and Peter P. Yellitz, et al., filed their complaint against Noxen Water Company attacking Tariff Water-Pa. P.U.C. No. 4, which became effective by operation of law on October 1, 1951, as being exorbitant, excessive, and out of all proportion to any possible increased cost of maintenance and operation. Complainants ask the Commission to dismiss the application by respondent water company to increase its rates.

Noxen Water Company, respondent, filed its answer to the instant complaint on September 12, 1951. Said answer is in letter form signed by John F. Bunn, Jr., president of Noxen Water Company. In this letter answer Mr. Bunn states that the facts as set forth

in the company's application for rate increases, filed with the Commission on July 16, 1951, are still effective and asks that the complaint be dismissed without hearing. The letter answer is signed by John F. Bunn, Jr., president of Noxen Water Company, and at the bottom of the letter Mr. Bunn affirms his statements as being true and correct to the best of his knowledge. There is no affidavit to this letter answer.

Complainants' motion to strike the answer of respondent water company to said complaint was filed with the Commission on September 19, 1951, and is as follows:

1. Said answer fails to set forth in paragraphs numbered to correspond with the complaint, the facts upon which respondent relies.

2. Said answer fails to specifically admit or deny the material allegations of the complaint.

3. Said answer is not verified in the form stated in Rule 7, there being no affidavit to said answer but merely a statement by the president of respondent corporation, who does not state his authorization to file same on behalf of respondent corporation.

Rule 37 of the Commission's rules of practice provides that any party deeming a pleading insufficient in form may file with the Commission a motion to strike.

Rule 34 of the Commission's rules of practice provides that an answer to a complaint shall be subscribed and verified in the form stated in Rule 7 by the party filing such answer or by one of the parties if there is more than one or if the party is a partnership, or by an authorized officer of the party filing the answer if the party be a corporation.

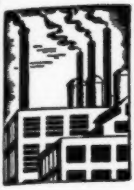
Rule 7 of the Commission's rules of practice sets forth the form of affidavit to be used by corporations.

It is obvious that the letter answer of respondent water company to the instant complaint does not meet the requirements of Rule 34 and Rule 7 of the Commission's rules of practice inasmuch as there is no affidavit to said answer. Accordingly, the answer is insufficient in form and there is merit to complainants' motion to strike.

We believe, however, that it is well to point out that the problem is purely academic in this proceeding inasmuch as the record shows that the instant complaint was filed a month prior to the effective date of respondent's Tariff Water-Pa. P.U.C. No. 4, and thus, according to the provisions of § 312 of the Public Utility Law, the burden of proof to show that the rates involved are just and reasonable is upon respondent water company whether its answer to said complaint be stricken or be permitted to stand.

Respondent's answer to the instant complaint being insufficient in form, we shall grant complainants' motion to strike said answer; therefore,

It is *ordered*: That the motion filed by complainants to strike off the answer of respondent water company be and is hereby granted.



Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.

Gas Industry Spent $1,500 Million in 1951

THE gas industry spent nearly $1,500 million for new plant and equipment in 1951, according to the American Gas Association.

It estimates that in the five-year period 1951 through 1955 another $4,600 million will go for further growth.

Nearly one billion dollars of the 1951 expansion money went into construction of new natural gas transmission systems and more pipelines.

The industry has now become one of the nation's largest. With a total investment of almost nine billion dollars in plant and equipment it ranks sixth among the industries.

Natural gas marketed production has increased more than 400 per cent in the last 25 years.

According to the Association, at the end of 1950—the latest figure available—proved recoverable natural gas reserves totaled 185,600,000,000,000 cubic feet, an increase of more than five trillion over the previous year.

There were more than 314,500 miles of natural gas pipelines and the mileage is increasing at a rate of almost 15,000 miles a year.

S. L. Drumm, Chairman of Better Light Better Sight Bureau

S. L. DRUMM, vice president in charge of sales, New Orleans Public Service Inc., New Orleans, Louisiana, has been elected chairman of the Better Light Better Sight Bureau. Mr. Drumm succeeds Ralph P. Wagner, commercial manager, eastern division, Niagara Mohawk Power Corp., Albany, New York, who has been chairman of the bureau since 1948.

Alabama Power to Spend $32,000,000 During 1952

ALABAMA POWER COMPANY will, during 1952, spend nearly $32,000,000 for construction and improvements. That was the amount of the construction budget approved by its board of directors recently.

J. M. Barry, president, stated that among the items in the budget are $8,000,000 for the completion of the seventh unit at Gorgas steam plant, and connections. This unit of 100,000 kilowatt capacity will bring the total capacity at Gorgas to 390,000 kilowatts, making it one of the largest power generating centers in the southeast. The completion of the installation of a fourth unit of 55,000 kilowatt capacity at Martin Dam during 1952 also is scheduled. Another important item will be $6,000,000 to be applied toward the construction of the $40,000,000 Barry steam plant at Salco, near Mobile. One of the 125,000 kilowatt units of this 250,000 kilowatt plant is expected to be completed in 1953, and the second unit early in 1954. This will bring the total generating capacity on the Alabama Power Company system to 1,379,500 kilowatts, an increase of 685,000 kilowatts since the end of World War II.

Miscellaneous steam and hydro plant additions and improvements will come to approximately half a million dollars.

New transmission lines and substations and improvements to existing transmission facilities will total nearly $6,000,000.

Investments in increased and improved service facilities will total $8,000,000.

Nearly three-quarters of a million dollars will be used to expand and improve the company's coal mine at Gorgas.

Mr. Barry stated that, in general, prospective expansion and improvements expenditures for the next three years would be approximately $102,000,000.

Delta-Star Electric Company Announces $500,000 Expansion

PLANS have been drawn and contracts signed for a $500,000 plant expansion program at Delta-Star Electric Company, Division of H. K. Porter Company, Inc., Chicago, Illinois, according to an announcement by C. S. Beattie, executive vice president.

The expansion will provide 30,000 square feet of additional assembly and machine shop space, greatly expanding the company's manufacturing facilities. The plans call for the expansion to be completed by August, 1952.

Executive Safety Committee Appointed at AGA

AN Executive Safety Committee has been appointed by the American Gas Association to advise the gas industry on national accident prevention policies and to stimulate

(*Continued on page* 34)

top management attention to the safety performance of gas industry employees. The new committee recently conducted a joint meeting with the AGA Accident Prevention Committee in New York at which time the industry safety problems were explored. A second meeting is listed in the near future at which some definitive action may be taken regarding safety policies for the gas industry.

Charles E. Bennett, president, The Manufacturers Light and Heat Company, Pittsburgh, and first vice president, AGA, is chairman of the new committee. Members of the committee are: Benjamin C. Adams, president, The Gas Service Company, Kansas City; H. Bruce Anderson, vice president, The Philadelphia Gas Works Company; M. A. Abernathy, vice president, United Gas Pipe Line Company, Shreveport; Henry Fink, president, Michigan Consolidated Gas Company, Detroit; John L. Haley, vice president, Niagara Mohawk Power Corporation, Syracuse; J. F. Merriam, president, Northern Natural Gas Company, Omaha; and Charles G. Young, vice president, Springfield Gas Light Company, Springfield, Massachusetts.

San Diego Gas Plans $18,668,000 Outlay in 1952 for Construction

SAN DIEGO GAS & ELECTRIC COMPANY'S board of directors approved a preliminary construction budget for 1952 totaling a record $18,668,000. This exceeds by more than $2,350,000 the previous record budget which was approved for 1949, according to L. M. Klauber, board chairman.

The 1952 budget calls for completing the installation of a 50,000 kw. turbo-generator, unit number 4, at Silver Gate generating station. The generator is scheduled to be placed in operation in the fall of 1952. Construction of a new gas storage holder that will have a capacity of 10 million cubic feet of gas is also planned.

The budget provides for initial construction work on the new Encina generating station where unit number 1, an 80,000 kw. turbo-generator, is expected to be placed in operation in the fall of 1954.

Texas Utilities to Spend $125,000,000 in 2 Years

TEXAS UTILITIES COMPANY through its subsidiaries will spend approximately $125,000,000 within the next two years on a 66 per cent increase in the system's generating capacity.

The program is intended to boost the system's installed capacity to 1,551,475 kilowatts by the end of 1954. At present, installed capacity is 934,975 kw., or 128 per cent more than in 1946.

Texas Electric Service Company will account for 294,000 of the 616,500 kw. system-wide increase.

Increases in the generating capacity of Texas

(*Continued on page* 36)

Power & Light Company will total 180,000 kw.

Dallas Power & Light Company, which boosted its capacity by some 70,000 kw. early last year, is planning an 80,000 kw. expansion. A further increase of 58,000 kw. is planned for Dallas facilities by the end of 1954.

Bell Tel. of Pennsylvania to Spend $81,700,000 in 1952

W. D. Gillen, president of the Bell Telephone Company of Pennsylvania, announced recently that his company plans an $81,700,000 expansion program this year.

The program will extend Bell facilities to an additional 100,000 subscribers in 1952 and other improvements will enable the concern to handle about 200,000,000 more calls annually.

A-C Releases Centrifugal Pump Instruction Booklet

An instruction booklet covering the installation, operation and repair of single-stage, double-suction Allis-Chalmers centrifugal pumps has been released by the company.

The booklet recommends that a regular inspection be followed and includes a maintenance timetable which is based on continuous pump operation and which serves as a reliable pattern for all practical purposes.

One page of the booklet is for use as a permanent record of the operator's pump and of its performance. It is so arranged as to enable the operator of the pump to see at a glance the life of any parts replaced and any improvement due to substitute materials.

The booklet also carries a quick reference guide which lists 40 possible causes of trouble in pump operation and their cures.

Copies of the booklet, 08X7613, are available upon request from Allis-Chalmers Manufacturing Company, 965 South 70th street, Milwaukee, Wisconsin.

AGA Forms Committee on Customer Service Responsibility

Under authorization of the Executive Board of the American Gas Association, a Committee on Customer Service Responsibility has been formed within the gas utility industry to review the policies pertaining to the servicing of gas appliances and to delineate the respective responsibilities of the manufacturer, distributor, dealer, and gas company. The AGA Committee will coöperate with a parallel committee of the Gas Appliance Manufacturers Association.

Howard B. Noyes, vice president, Washington Gas Light Company, Washington, D. C., will serve as chairman of the new committee. Members include: L. B. Bonnett, vice president, Consolidated Edison Company of New

(*Continued on page* 38)

York, Inc.; Dean T. Burns, assistant general manager, Citizens Gas & Coke Utilty, Indianapolis, Ind.; D. A. Crawford, vice president, Atlanta Gas Light Company, Atlanta, Ga.; Hall M. Henry, vice president, NEGFA Service Corporation, Cambridge, Mass.; W. M. Jacobs, vice president, Southern California Gas Company, Los Angeles, Calif.; Andrew W. Johnston, engineer of distribution, Boston Consolidated Gas Company, Boston, Mass.; John J. Novy, assistant to vice president, The Peoples Gas Light and Coke Company, Chicago, Ill.; and Milton J. Pfieffer, vice president, The Cincinnati Gas and Electric Company, Cincinnati, Ohio.

Also appointed as members are: R. A. Puryear, Jr., vice president, Alabama Gas Corporation, Birmingham, Ala.; James C. Reid, vice president, Southern Union Gas Company, Dallas, Texas; J. D. Roberts, vice president, Mountain Fuel Supply Company, Salt Lake City, Utah; W. G. Rogers, president, The East Ohio Gas Company, Cleveland, Ohio; Herbert H. Ross, vice president, Oklahoma Natural Gas Company, Tulsa, Okla.; A. H. Stack, president, The Tampa Gas Company, Tampa, Fla.; Charles M. Sturkey, vice president, Seattle Gas Company, Seattle, Wash.; Frank H. Trembly, Jr., vice president, The Philadelphia Gas Works Company, Philadelphia, Pa.; and Robert E. Williams, district manager, Binghamton Gas Works, Binghamton, New York. C. George Segeler, AGA Headquarters, will act as secretary for the committee.

Ohio Bell Will Spend $52,000,000 in 1952

OHIO BELL TELEPHONE COMPANY, wholly-owned subsidiary of American Telephone & Telegraph, plans spending $56,000,000 this year on new facilities. Last year it spent $40,000,000. This year's budget is the second largest in its history and will boost its postwar expansion expenditures to $306,000,000.

Belting Catalog

NEW YORK BELTING AND PACKING COMPANY has published a catalog on conveyor and elevator belting which gives all the necessary data to lay out a drive or specify a belt.

Complete tables on carrying capacities, horsepower factors, pulley diameters, maximum and minimum plies for proper troughing, and other engineering information are included.

A copy of the catalog can be obtained from New York Belting and Packing Company distributors, or Frank E. Tilley, New York Belting and Packing Company, 1230 Avenue of the Americas, New York 20, New York.

Cleveland Electric Plans Large Expansion

CLEVELAND ELECTRIC ILLUMINATING COMPANY will continue to press its record-breaking expansion program in the coming year according to E. L. Lindseth, president. The company will spend close to $30,000,000 in 1952, against $23,500,000 in 1951, he states.

The company expects to hit a system peak load approximately 15 per cent higher than the 1951 peak of approximately 1,050,000 kilowatts.

During 1951 the company added 18,500 new customers, bringing the total to 440,000. Another significant feature of the year was an increase of 11 per cent in the average use of residential customers, the greatest such gain in C.E.I. history.

Indiana & Michigan Elec. to Spend $83,240,000

INDIANA & MICHIGAN ELECTRIC COMPANY recently announced that its construction budget for the three years through 1953 amounts to $83,240,000.

They spent approximately $26,000,000 last year, with $27,335,000 planned for this year and $29,641,000 in 1953. When the three-year program is completed the company will have spent nearly $155,000,000 for expansion since 1946.

Generating facilities will account for nearly half of the 1951-1953 total. Substantially all of the $40,000,000 will go for three generating units totaling 500,000 kilowatts at the Tanners Creek station in southern Indiana.

Kansas City P. & L. Plans $22,300,000 Expansion

KANSAS CITY POWER & LIGHT COMPANY recently revealed that it plans to spend $22,300,000 for new construction in 1952, about $3,670,000 more than last year's expenditures.

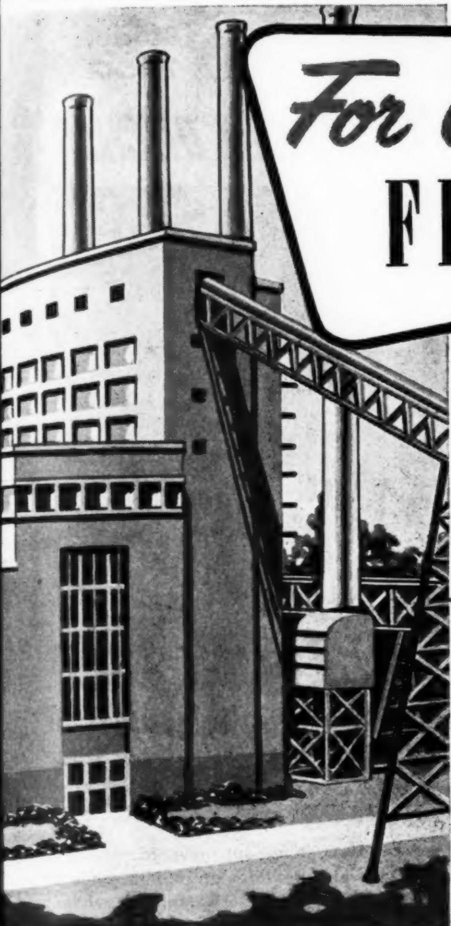
Approximately $11,000,000 of this year's total will go for additional electric generating facilities, primarily a third turbogenerator of 99,000-kilowatt capacity at the Hawthorn station. Two units of 66,000 kilowatts went into operation there in 1951.

Also on this year's expansion budget are $9,000,000 for electric transmission and distribution facilities and $2,300,000 for additions to gas, heat, water and miscellaneous properties.

Capitol Mfg. Appointment

GEORGE M. LEVINE, Columbus, Ohio, has been appointed general sales manager of the Capitol Mfg. & Supply Company, Columbus, Samuel M. Melton, president, announced recently.

Until recently Mr. Levine has been advertising manager and acting sales manager. He has been with the company three years.



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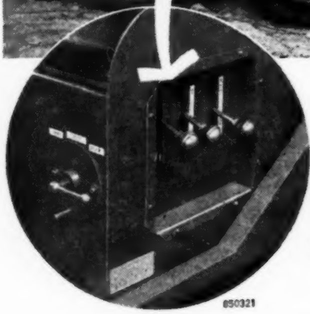

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The Model 705-A Runabout now features the Hydra-Crowd, which provides an infinite range of crowding speeds from 0 to 16 f.p.m., independent of bucket line speed. With its 15 m.p.h. road speed and Vertical Boom milling action — and new Hydra-Crowd control — the Runabout combines mobility and digging efficiency to make possible lowest cost per foot of trench in all digging conditions the year around.

208-A

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Send for Bulletin 705-A which describes completely all the advantages you gain when you use a Model 705-A Runabout Service Ditcher.

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Edward M. Graham station of Bangor Hydro Electric Company, Bangor, Me.

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Installation of 60 EME-15 Exide-Manchex Batteries in gas turbine station of Bangor Hydro Electric Company.

Here in the heart of Down-East Maine is one of America's most modern electric utilities—the Bangor Hydro Electric Company. It was the first station to use a regenerative type gas turbine, the installation of which aroused widespread interest in the industry. Other items of equipment are equally modern. Among them are Exide-Manchex Batteries.

The Exide-Manchex Batteries in the Edward M. Graham station provide power for switchgear operation. They furnish adequate emergency lighting, operate 60 indicating lamps, and run two 2-hp. lubricating pump motors. Exide-Manchex Batteries are preferred by many outstanding utility companies because they assure:

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LOW MAINTENANCE COSTS: Water required about twice a year. No change of chemical solution needed during life of battery.

LOW DEPRECIATION: Sturdy, long-life construction.

GREATER CAPACITY in a given amount of space avoids overcrowding of equipment.

These features combine to make Exide-Manchex *your best battery buy* for all control and substation services.

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You get all these features in the Exide-Manchex

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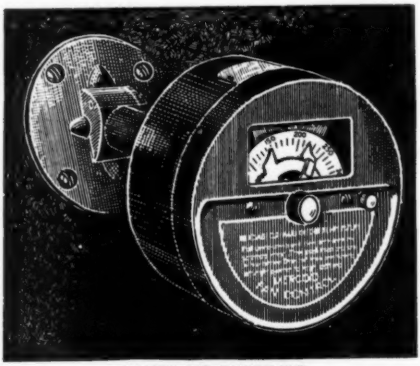

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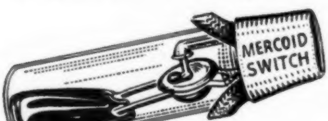

The Mercury Switch used exclusively in all Mercoid Controls is protected from the above handicaps, and operates indefinitely without any deterioration, thereby assuring that added safety and better performance.

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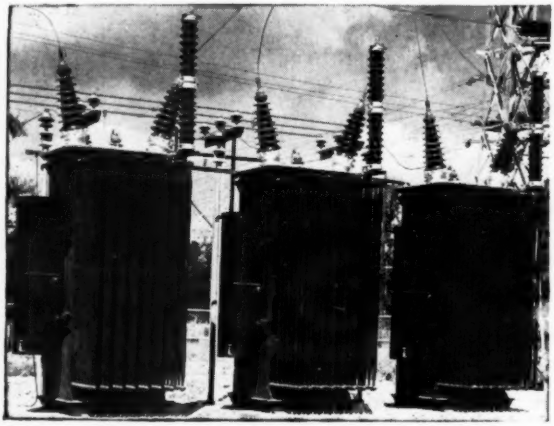

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